

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): JUNE 10, 1998

DIGI INTERNATIONAL INC.

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

0-17972

41-1532464

-----  
(State of  
Incorporation)

-----  
(Commission File  
Number)

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(I.R.S. Employer  
Identification No.)

11001 BREN ROAD EAST, MINNETONKA, MINNESOTA

55343

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(Address of principal executive offices)

-----  
(Zip Code)

(612) 912-3444

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(Registrant's telephone number)

Exhibit Index located at page 7

Item 5. OTHER EVENTS.

On June 10, 1998, the Board of Directors of Digi International Inc. (the "Company"), declared a dividend of one preferred share purchase right (a "Right") for each outstanding Common Share (the "Common Shares"), \$.01 par value, of the Company. The dividend is payable on June 30, 1998 (the "Record Date") to stockholders of record on that date.

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a Series A Junior Participating Preferred Share, \$.01 par value (the "Preferred Shares"), of the Company at a price of \$115 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement"), dated as of June 10, 1998, between the Company and Norwest Bank Minnesota, National Association, as Rights Agent (the "Rights Agent").

Initially, the Rights will attach to all certificates representing Common Shares then outstanding and no separate Right Certificates will be distributed. The Rights will separate from the Common Shares and a Distribution Date for the Rights will occur, subject to certain exceptions, upon the earlier of:

(i) the close of business on the fifteenth day following a public announcement that a person or group of affiliated or associated persons has become an "Acquiring Person" (i.e., has become, subject to certain exceptions, the beneficial owner of 20% or more of the outstanding Common Shares), or

(ii) the close of business on the fifteenth day following the commencement or public announcement of a tender offer or exchange offer the consummation of which would result in a person or group of affiliated or associated persons becoming, subject to certain exceptions, the beneficial owner of 20% or more of the outstanding Common Shares (or such later date as may be determined by the Board of Directors of the Company prior to a person or group of affiliated or associated persons becoming an Acquiring Person).

Until the Distribution Date,

(i) the Rights will be evidenced by the Common Share certificates and will be transferred with and only with the Common Shares,

(ii) new Common Share certificates issued after the Record Date upon transfer or new issuance of the Common Shares will contain a notation incorporating the Rights Agreement by reference, and

(iii) the surrender for transfer of any Common Share certificate, even without such notation or a copy of this Summary of Rights attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate.

As promptly as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on June 30, 2008, unless extended or earlier redeemed or exchanged by the Company as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution:

(i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares,

(ii) upon the grant to holders of the Preferred Shares of certain rights, options or warrants to subscribe for or purchase Preferred Shares or convertible securities at less than the then current market price of the Preferred Shares, or

(iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those described in clause (ii) hereof).

The number of Preferred Shares issuable upon the exercise of a Right is also subject to adjustment in the event of a dividend on Common Shares payable in Common Shares, or a subdivision, combination or consolidation of the Common Shares.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in the Purchase Price. No fractional Preferred Shares will be issued (other than fractional shares which are integral multiples of one one-hundredth (subject to adjustment) of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts) if in lieu thereof a payment in cash is made based on the closing price (pro-rated for the fraction) of the Preferred Shares on the last trading date prior to the date of exercise.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person (unless such person first becomes an Acquiring Person pursuant to a

tender offer or exchange offer for all outstanding Common Shares at a price and on terms determined by the Board of Directors of the Company (prior to any change in control of the Board of Directors) to be fair to the stockholders and otherwise in the best interests of the Company and its stockholders and which the Board of Directors recommends to the stockholders), proper provision shall be made so that each holder of a Right, other than Rights that are or were beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise thereof at the then current exercise price of the Right that number of Common Shares having a market value of two times the exercise price of the Right, subject to certain possible adjustments.

In the event that, after the Distribution Date or within 15 days prior thereto, the Company is acquired in certain mergers or other business combination transactions (other than a transaction for at least the same per-share consideration with a person who acquired Common Shares through a tender offer or exchange offer for all outstanding Common Shares approved by the Board of Directors in accordance with the preceding paragraph or any wholly owned subsidiary of any such person) or 50% or more of the assets or earning power of the Company and its subsidiaries (taken as a whole) are sold after the Distribution Date or within 15 days prior thereto in one or a series of related transactions, each holder of a Right (other than Rights which have become void under the terms of the Rights Agreement) will thereafter have the right to receive, upon exercise thereof at the then current exercise price of the Right, that number of common shares of the acquiring company (or, in certain cases, one of its affiliates) having a market value of two times the exercise price of the Right.

In certain events specified in the Rights Agreement, the Company is permitted to temporarily suspend the exercisability of the Rights.

At any time after a person or group of affiliated or associated persons becomes an Acquiring Person (subject to certain exceptions) and prior to the acquisition by a person or group of affiliated or associated persons of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange all or part of the Rights (other than Rights which have become void under the terms of the Rights Agreement) for Common Shares or equivalent securities at an exchange ratio per Right equal to the result obtained by dividing the exercise price of a Right by the current per share market price of the Common Shares, subject to adjustment.

At any time prior to the close of business on the twentieth day after a public announcement that a person or group of affiliated or associated persons has become an Acquiring Person, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.001 per Right, subject to adjustment (the "Redemption Price"), payable in cash; provided, however, that such redemption may occur after any person becomes an Acquiring Person only if there has not been a change in control of the Board of Directors of the Company. The period of time during which the Rights may be redeemed may be extended by the Board of Directors of the Company if no such change of control has occurred or if no

person has become an Acquiring Person. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Board of Directors and the Company shall not have any liability to any person as a result of the redemption or exchange of the Rights pursuant to the provisions of the Rights Agreement. The Rights are not exercisable for Common Shares or Preferred Shares, and the Distribution Date shall not occur, until the Company's right to redeem the Rights shall have expired.

The terms of the Rights may be amended by the Board of Directors of the Company, subject to certain limitations after the Distribution Date, without the consent of the holders of the Rights, including an amendment prior to the date a person or group of affiliated or associated persons becomes an Acquiring Person to lower the 20% threshold for exercisability of the Rights to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any person or group of affiliated or associated persons (subject to certain exceptions) or (ii) 10%.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated June 24, 1998. A copy of the Rights Agreement is available free of charge from the Company by contacting the Chief Financial Officer at Digi International Inc., 11001 Bren Road East, Minnetonka, Minnesota 55343. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

#### Item 7. EXHIBITS.

4.1 Form of Rights Agreement, dated as of June 10, 1998 between Digi International Inc., and Norwest Bank Minnesota, National Association, as Rights Agent.\*

99.1 Press Release dated June 11, 1998.

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\* Incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A, dated June 24, 1998.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIGI INTERNATIONAL INC.

Date: June 24, 1998

By: /s/ Jonathon E. Killmer

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Its: Senior Vice President, Chief Financial  
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Officer and Treasurer  
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EXHIBIT INDEX

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[Digi logo] Digi International  
11001 Bren Road East  
Minnetonka, MN 55343

News Release

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DIGI INTERNATIONAL ADOPTS SHAREHOLDER RIGHTS PLAN

MINNEAPOLIS, JUNE 11, 1998 - -The Board of Directors of Digi International Inc. (NASDAQ:DGII) today announced that it had adopted a shareholder rights plan. Under the plan, the company will distribute as a dividend one right for each share of the company's common stock outstanding on June 30, 1998. Each right will entitle its holder to buy one one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of \$115, subject to adjustment.

The rights will become exercisable only if a person or group acquires beneficial ownership of 20 percent or more of the company's outstanding common stock or announces a tender or exchange offer which, if completed, would result in that person or group beneficially owning 20 percent or more of the company's outstanding common stock.

The company will be entitled to redeem the rights at \$.001 per right, subject to adjustment, at any time prior to an acquisition by a person or group of 20 percent or

-more-



more of the company's outstanding common stock and -- unless there has been a change in control of the company's board -- during the 20-day period thereafter (subject to possible extension).

Following expiration of the redemption period, each right, except those held by a 20 percent shareholder or its affiliates or associates, which become void, would become exercisable for the company's common stock, having a market value equal to twice the rights exercise price (subject to possible adjustments) if a person or group has acquired beneficial ownership of 20 percent or more of the company's outstanding common stock.

"We believe that this plan is a prudent step in protecting the interests of Digi's shareholders," said Jerry A. Dusa, Digi's president and chief executive officer. He also noted that the shareholder rights plan was not made in response to any present effort to take over the company.

#### ABOUT DIGI INTERNATIONAL

Digi International, based in Minneapolis, Minn., is a leading ISO 9001-compliant provider of data communications hardware and software that delivers seamless connectivity solutions for opens systems, server-based remote access and LAN markets. The company markets its products through an international network of distributors and resellers, system integrators and original equipment manufacturers (OEMs). For more information, visit Digi's Web site at [www.dgii.com](http://www.dgii.com) or call 1-800-344-4273 (U.S.) or 612-912-3444 (International).

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