

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K/A

(Mark one)

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

For the fiscal year ended: September 30, 2005

OR

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

For the transition period from ____ to ____.

Commission file number: 0-17972

DIGI INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

41-1532464

(I.R.S. Employer
Identification Number)

11001 Bren Road East
Minnetonka, Minnesota 55343

(Address of principal executive offices) (Zip Code)

(952) 912-3444

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$.01 par value

(Title of each class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of voting stock held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was \$308,757,212, based on a closing price of \$13.72 per common share as reported on the National Association of Securities Dealers Automated Quotation System National Market System.

Shares of common stock outstanding as of November 21, 2005: 22,845,022

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Explanatory Note

This Amendment No. 1 on Form 10-K/A, or Amendment No. 1, is being filed by Digi International Inc. to amend our Annual Report on Form 10-K for the fiscal year ended September 30, 2005 filed with the Securities and Exchange Commission on December 7, 2005. The sole purpose of this Amendment No. 1 is to re-file Exhibit 13, the 2005 Letter to Stockholders, in its entirety. Certain portions of the text of Exhibit 13 were unintentionally omitted from the original filing of the Form 10-K.

This Amendment No. 1 does not update any other disclosures to reflect developments since the original date of filing. Unaffected items have not been repeated in this Amendment No. 1, and no other changes have been made.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(b) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2(a)	Agreement and Plan of Merger among the Company, Dove Sub Inc. and NetSilicon, Inc. dated as of October 30, 2001 (1)
2(b)	Purchase and assignment contract dated March 20, 2005 between Embedded Solutions AG, Klaus Flesch, Angelika Flesch and Digi International GmbH (2)
2(c)	Agreement and Plan of Merger among Digi International Inc., Karat Sub Inc. and Z-World, Inc. dated as of May 26, 2005 (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request) (3)
3(a)	Restated Certificate of Incorporation of the Company, as amended (4)
3(b)	Amended and Restated By-Laws of the Company, as amended (5)
4(a)	Form of Rights Agreement, dated as of June 10, 1998 between Digi International Inc. and Wells Fargo Bank Minnesota, National Association (formerly known as Norwest Bank Minnesota, National Association), as Rights Agent (6)
4(b)	Amendment dated January 26, 1999, to Share Rights Agreement, dated as of June 10, 1998 between Digi International Inc. and Wells Fargo Bank Minnesota, National Association (formerly known as Norwest Bank Minnesota, National Association), as Rights Agent (7)
10(a)	Stock Option Plan of the Company as Amended and Restated as of September 28, 2005*†
10(b)	Form of indemnification agreement with directors and officers of the Company (8)
10(c)	Agreement between the Company and Subramanian Krishnan dated March 26, 1999* (9)
10(c)(i)	Amendment to Agreement between the Company and Subramanian Krishnan dated February 5, 2001* (10)
10(d)	Employment Agreement between the Company and Joseph T. Dunsmore dated October 24, 1999* (11)
10(e)	Agreement between the Company and Bruce Berger dated March 29, 2000* (12)
10(e)(i)	Agreement between the Company and Bruce Berger dated December 14, 2001* (13)
10(f)	Employee Stock Purchase Plan, as amended, of the Company (14)
10(g)	2000 Omnibus Stock Plan of the Company as Amended and Restated as of September 28, 2005*†
10(h)	Digi International Inc. Non-Officer Stock Option Plan, as amended (15)
10(i)	NetSilicon, Inc. Amended and Restated 1998 Director Stock Option Plan (16)
10(j)	NetSilicon, Inc. Amended and Restated 1998 Incentive and Non-Qualified Stock Option Plan (17)

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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (CONTINUED)

(b) Exhibits (continued)

<u>Exhibit Number</u>	<u>Description</u>
10(k)	NetSilicon, Inc. 2001 Stock Option and Incentive Plan (18)
10(l)	Form of Notice of Grant of Stock Options and Option Agreement and Terms and Conditions of Nonstatutory Stock Option Agreement (19)
10(m)	Fiscal 2006 Executive Officer Compensation* (20)
10(n)	Amendments to Director Compensation* (20)
13	2005 Letter to Stockholders
14	Code of Ethics (21)
21	Subsidiaries of the Company†
23	Consent of Independent Registered Public Accounting Firm†
24	Powers of Attorney†
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certification†

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

† Incorporated by reference to the same numbered exhibit to the Company's Form 10-K for the year ended September 30, 2005 (File no. 0-17972).

(1) Incorporated by reference to Annex A to the Company's Registration Statement on Form S-4 (File no. 333-74118).

(2) Incorporated by reference to Exhibit 2(a) to the Company's Form 10-Q for the quarter ended March 31, 2005 (File no. 0-17972).

(3) Incorporated by reference to Exhibit 2 to the Company's Form 8-K dated May 26, 2005 (File no. 0-17972).

(4) Incorporated by reference to Exhibit 3(a) to the Company's Form 10-K for the year ended September 30, 1993 (File no. 0-17972).

(5) Incorporated by reference to Exhibit 3(b) to the Company's Form 10-K for the year ended September 30, 2001 (File no. 0-17972).

(6) Incorporated by reference of Exhibit 1 to the Company's Registration Statement on Form 8-A dated June 24, 1998 (File no. 0-17972).

(7) Incorporated by reference to Exhibit 1 to Amendment No. 1 to the Company's Registration Statement on Form 8-A dated February 5, 1999 (File no. 0-17972).

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (CONTINUED)

- (8) Incorporated by reference to Exhibit 10(b) to the Company's Registration Statement on Form S-1 (File no. 33-30725).
- (9) Incorporated by reference to Exhibit 10(k) to the Company's Form 10-Q for the quarter ended March 31, 1999 (File no. 0-17972).
- (10) Incorporated by reference to Exhibit 10(e) to the Company's Form 10-Q for the quarter ended December 31, 2000 (File no. 0-17972).
- (11) Incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended September 30, 1999 (File no. 0-17972).
- (12) Incorporated by reference to Exhibit 10(g) to the Company's Form 10-K for the year ended September 30, 2000 (File no. 0-17972).
- (13) Incorporated by reference to Exhibit 10(f) to the Company's Form 10-K for the year ended September 30, 2001 (File no. 0-17972).
- (14) Incorporated by reference to Exhibit B to the Company's Proxy Statement for its Annual Meeting of Stockholders held on January 23, 2002 (File no. 0-17972).
- (15) Incorporated by reference to Exhibit 10(a) to the Company's Form 10-Q for the quarter ended December 31, 2004 (File no. 0-17972).
- (16) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 13, 2002 (File no. 333-82672).
- (17) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 13, 2002 (File no. 333-82670).
- (18) Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 13, 2002 (File no. 333-82668).
- (19) Incorporated by reference to Exhibit 10(a) to the Company's Form 8-K dated September 13, 2004 (File no. 0-17972).
- (20) Incorporated by reference to Item 1.01 of the Company's Form 8-K dated September 27, 2005 (File no. 0-17972).
- (21) Incorporated by reference to Exhibit 14 to the Company's Form 10-K for the year ended September 30, 2003 (File no. 0-17972).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

December 8, 2005

By: /s/ Joseph T. Dunsmore
Joseph T. Dunsmore
President, Chief Executive Officer, Chairman, and
Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

December 8, 2005

/s/ Joseph T. Dunsmore
Joseph T. Dunsmore
President, Chief Executive Officer, Chairman, and
Director (Principal Executive Officer)

December 8, 2005

/s/ Subramanian Krishnan
Subramanian Krishnan
Senior Vice President, Chief Financial Officer and
Treasurer (Principal Financial and Accounting Officer)

GUY C. JACKSON
KENNETH E. MILLARD
MYKOLA MOROZ
WILLIAM N. PRIESMEYER
BRADLEY J. WILLIAMS

A majority of the Board of Directors*

*Subramanian Krishnan, by signing his name hereto, does hereby sign this document on behalf of each of the above named directors of the Registrant pursuant to Powers of Attorney duly executed by such persons.

December 8, 2005

/s/ Subramanian Krishnan
Subramanian Krishnan
Attorney-in-fact

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10(n)	Amendments to Director Compensation	Incorporated by Reference
13	2005 Letter to Stockholders	Filed Electronically
14	Code of Ethics	Incorporated by Reference
21	Subsidiaries of the Company	Incorporated by Reference
23	Consent of Independent Registered Public Accounting Firm	Incorporated by Reference
24	Powers of Attorney	Incorporated by Reference
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31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed Electronically
32	Section 1350 Certification	Incorporated by Reference

[DIGI LOGO]

[GRAPHIC]

To Our Stockholders,

Fiscal 2005 was a very challenging, yet fulfilling and successful year for Digi and its stockholders. The company finished fiscal 2005 with net sales of \$125.2 million, or a 12.6 percent growth over fiscal 2004. Our key objectives have remained consistent over the past several years, and we believe that this consistency in focus is evidenced by some strong financial trends:

- - Operating expenses as a percent of net sales has improved approximately 28 percentage points in the last four years, from 75.1 percent in fiscal 2002 to 46.9 percent in fiscal 2005.
- - Operating income (loss) has improved as a percentage of net sales from (20.4) percent in fiscal 2002 to 13.5 percent in fiscal 2005, or an approximately 34 percentage point improvement in the last four years.
- - Earnings (loss) before income taxes, depreciation and amortization (EBTDA) has improved as a percent of net sales from (7.8) percent in fiscal 2002 to 21.4 percent in fiscal 2005.

We believe these strong trends are the result of our diligence in pursuing the following objectives which are consistent with prior years:

- - Accelerate revenue and earnings per share growth.
- - Introduce new products
- - Maintain a strong balance sheet
- - Grow through acquisition
- - Make Device Networking Easy

We believe the company made good progress in all of these areas over the past year.

The company succeeded in accelerating revenue and profitability growth over the past year. Our year-over-year revenue growth rate continues to accelerate, from 1.4 percent growth in 2003, climbing to an 8.1 percent growth rate in 2004, and now 12.6 percent in fiscal 2005. Earnings per diluted share for fiscal 2005 were \$0.76, compared to \$0.39 per diluted share in fiscal 2004. During 2005, Digi recorded a \$5.7 million reversal of previously established tax reserves as a result of the settlement of a tax audit of prior fiscal years. Excluding the impact of the favorable tax settlement, Digi's earnings per diluted share would have been \$0.51, or an increase of 30.8 percent over fiscal 2004.

A key to increased revenue growth is introducing new products that 'Make Device Networking Easy' for our customers. More precisely, it is our strategic intent to be the best in the world at commercial grade device networking. In laymen's terms, we provide products that connect things to networks. Not things in the home, but things in stores, factories, office buildings, banks, gas stations, oil rigs, hospitals, and many other vertical environments. That's why we call it commercial grade.

We provide hardware chips, modules, and boxes, with value-added software to provide the differentiated products that our customers desire. For example:

- - In self-checkout systems, Digi connects peripheral devices like scales, card readers and printers.
- - At intersections, Digi connects traffic signals so the flow of traffic can be more smoothly regulated.
- - On highways, Digi connects variable message signs, enabling authorities to post messages about congestion, stolen vehicles, or even abducted children.
- - In hospitals, Digi connects point-of-care testing devices, so tests can be done bedside with immediate results. Digi also networks ventilators, so doctors can remotely monitor and diagnose issues with a patient's breathing.
- - At power utilities, Digi networks meters to monitor power flow and avoid overload situations.
- - In factories, Digi networks machines controlling production lines for some of the nation's most popular consumer products.

The list is virtually endless. We believe that we are at the front end of a long-term growth trend to connect devices to networks in order to bring more intelligence to the device. Where the Internet was initially about connecting people via personal computers, the next phase of the Internet is about connecting devices.

Digi has dramatically changed its revenue mix over the past several years so that we have highly differentiated growth products that now make up a majority of our revenues. Our products and core technologies place us at the CENTER of this very exciting long-term growth opportunity. We introduced many exciting innovative products in fiscal 2005 that support our leadership position in device connectivity:

- - Early in the year Digi introduced the NS9360, an ARM 9-based chip that is a cost effective solution that integrates a high level of functionality and is ideal for customers in industrial automation, building automation, medical automation, instrumentation, networked displays, networked terminals, and industrial and point-of-sale printers.
- - The company introduced the ConnectCore(TM) family of core modules which are based on the NetSilicon(R) branded chips and optimized to provide quick time to market for our customers.

- - Digi also introduced the first in a series of data over cellular products with the launch of the Digi Connect(R) WAN for GSM and CDMA networks. We believe that Digi is bringing highly differentiated commercial grade products into this rapidly developing market opportunity. We have a very deep partnering relationship with Cingular for these products and are building relationships with Sprint, Verizon, Alltel and many of the other major wireless carriers worldwide.
- - The company introduced ConnectPort(TM) Display, the industry's first remote networking solution to utilize display, serial and USB Over IP(R) technology. ConnectPort Display is a network-enabled video display hub that allows standard video displays and other devices to be anywhere on a Local Area Network (LAN) or other Internet Protocol (IP) network without a locally attached host PC or thin client.
- - The company introduced the Rabbit(R) 4000 microprocessor, a chip that like its predecessors is designed specifically for embedded control, communications, and Ethernet connectivity but which also adds important new features. The new features will enhance the Rabbit core module offering and allow us to significantly broaden our core module customer base.

Digi ended the year with a cash and marketable securities balance of \$50.2 million after spending \$53.7 million on the acquisitions of Rabbit Semiconductor Inc. and FS Forth-Systeme GmbH and Sistemas Embebidos S.A. during fiscal 2005. The company once again ended the year with no bank debt. Our current ratio at year end was 4.4 to 1.

Acquisitions have been a key element of the Digi growth strategy over the past six years. We have leveraged acquisitions and organic development to augment our technology and product portfolio in the commercial grade device networking marketplace. In 2005 we executed two very important transactions with the acquisitions of Rabbit Semiconductor Inc. and FS Forth-Systeme GmbH/Sistemas Embebidos S.A. These acquisitions, coupled with the ConnectCore product family introduction, signified a major strategic push into the networked core module arena. The networked core module opportunity is an important element of our commercial grade device networking strategy because the modules that we offer to customers provide a networked platform with a core processor and lots of flexibility to allow them to add features and functionality. The primary value proposition for our device customers is that it allows them to get to market very quickly with a network-enabled device. We believe that this value proposition will gain momentum over time because the increasing number of device manufacturers that need to network their devices know very little about networking. We believe this will be a high growth market for Digi over the next several years and that Rabbit adds a significant brand to the Digi portfolio.

I would also like to take this opportunity to thank Mr. Mykola (Mike) Moroz, for his contributions to Digi since its inception in 1985. Mike was a founder of the company and has served as a member of the Board of Directors since July 1991. Mike will be retiring as a director and I would like to acknowledge him on behalf of the Board and the company for his many valued contributions over the years.

In summary, I am proud of the accomplishments of the Digi team in fiscal 2005. We took on significant challenges during the year and yet have managed to post very strong results. I look forward to continuing the positive momentum and having fun executing our strategies with the talented Digi team in fiscal 2006.

/s/ Joseph T. Dunsmore

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Joseph T. Dunsmore
Chairman, President and Chief Executive Officer

CERTIFICATIONS

I, Joseph T. Dunsmore, certify that:

1. I have reviewed this annual report on Form 10-K/A of Digi International Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: December 8, 2005

/s/ Joseph T. Dunsmore

Joseph T. Dunsmore
President, Chief Executive Officer,
and Chairman

CERTIFICATIONS

I, Subramanian Krishnan, certify that:

1. I have reviewed this annual report on Form 10-K/A of Digi International Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: December 8, 2005

/s/ Subramanian Krishnan

Subramanian Krishnan
Senior Vice President, Chief
Financial Officer and Treasurer