

DIGITAL RIVER INC /DE

Form DEF 14A

April 15, 2009

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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**DIGITAL RIVER, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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**DIGITAL RIVER, INC.  
9625 WEST 76TH STREET  
EDEN PRAIRIE, MN 55344  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 28, 2009**

**To The Stockholders Of Digital River, Inc.:**

**Notice Is Hereby Given** that the Annual Meeting of stockholders of **Digital River, Inc.**, a Delaware corporation, will be held on Thursday, May 28, 2009, at 3:30 p.m. local time at our headquarters at 9625 West 76<sup>th</sup> Street, Eden Prairie, Minnesota, 55344 for the following purposes:

1. To elect one Class II director to hold office until the 2012 annual meeting of stockholders;
2. To approve an amendment to the 2007 Equity Incentive Plan to, among other things, reserve an additional 2,650,000 shares of common stock for issuance thereunder;
3. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as our independent auditors for its fiscal year ending December 31, 2009; and
4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on April 1, 2009, as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors

**Kevin L. Crudden**  
Secretary

Eden Prairie, Minnesota  
April 15, 2009

**ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. IF YOU DO NOT RETURN THE ENCLOSED PROXY, YOU MAY VOTE YOUR SHARES ON THE INTERNET BY FOLLOWING THE INSTRUCTIONS ON YOUR PROXY. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.**

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**DIGITAL RIVER, INC.**  
**9625 WEST 76TH STREET**  
**EDEN PRAIRIE, MN 55344**  
**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF STOCKHOLDERS**  
**May 28, 2009**  
**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed proxy is solicited on behalf of the Board of Directors of Digital River, Inc., a Delaware corporation, for use at the Annual Meeting of stockholders to be held on May 28, 2009, at 3:30 p.m. local time, or at any adjournment or postponement of the Annual Meeting, for the purposes set forth in this proxy statement and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at our headquarters at 9625 West 76<sup>th</sup> Street, Eden Prairie, Minnesota, 55344.

**Solicitation**

We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. We will furnish copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock, par value \$.01 per share, beneficially owned by others to forward to the beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to the beneficial owners. Our directors, officers or other regular employees may supplement original solicitation of proxies by mail, telephone or personal solicitation. They will not be paid any additional compensation for these services.

**Voting Rights and Outstanding Shares**

Only holders of record of our common stock at the close of business on April 1, 2009, will be entitled to notice of and to vote at the Annual Meeting. At the close of business on April 1, 2009, we had outstanding and entitled to vote 38,175,158 shares of common stock.

Each holder of record of our common stock on that date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by votes at the meeting or by proxy. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether a matter has been approved.

**Distribution and Electronic Availability of Proxy Materials**

This year we are taking advantage of the Securities and Exchange Commission ( SEC ) rules that allow companies to furnish proxy materials to stockholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials ( Notice ) by mail, you will not receive a printed copy of the proxy materials, unless you specifically request one. The Notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report as well as how to submit your proxy over the Internet. If you received the Notice and would still like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials included in the Notice.

We plan to mail the Notice to shareowners by April 17, 2009, which will contain instructions on how to access this proxy statement and our annual report online.

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We first made available the proxy solicitation materials at [www.proxyvote.com](http://www.proxyvote.com) on or around April 17, 2009 to all stockholders entitled to vote at the annual meeting. You may also request a printed copy of the proxy solicitation materials by any of the following methods: via Internet at [www.proxyvote.com](http://www.proxyvote.com); by telephone at 1-800-579-1639; or by sending an e-mail to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com). Our 2008 Annual Report to stockholders was made available at the same time and by the same methods.

**Voting Via the Internet or by Telephone**

You may grant a proxy to vote your shares by means of the telephone or on the Internet. The law of Delaware, under which we are incorporated, specifically permits electronically transmitted proxies, provided that each proxy contains or is submitted with information from which the inspectors of election can determine that this proxy was authorized by you.

The telephone and Internet voting procedures below are designed to authenticate stockholders' identities, to allow stockholders to grant a proxy to vote their shares and to confirm that stockholders' instructions have been recorded properly. If you are granting a proxy to vote via the Internet, you should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by you.

***For Shares Registered in your Name***

Stockholders of record may grant a proxy to vote shares of our common stock by using a touch-tone telephone to call 1-800-690-6903 or via the Internet by accessing the website [www.proxyvote.com](http://www.proxyvote.com). You will be required to enter our number and a twelve-digit control number (these numbers are located on the proxy card). If voting via the Internet, you will then be asked to complete an electronic proxy card. The votes will be generated on the computer screen and you will be prompted to submit or revise them as desired. Votes submitted by telephone or via the Internet must be received by 11:59 p.m., Eastern Time, on May 27, 2009. Submitting your proxy by telephone or via the Internet will not affect your right to vote in person should you decide to attend the Annual Meeting.

***For Shares Registered in the Name of a Broker or Bank***

Most beneficial owners whose stock is held in street name receive instructions for granting proxies from their banks, brokers or other agents, rather than our proxy card. A number of brokers and banks are participating in a program provided through Broadridge Financial Solutions, Inc. that offers the means to grant proxies to vote shares by means of the Internet. If your shares are held in an account with a broker or bank participating in the Broadridge Financial Solutions, Inc. program, you may go to [www.proxyvote.com](http://www.proxyvote.com) to grant a proxy to vote your shares by means of the Internet. Votes submitted via the Internet must be received by 11:59 p.m., Eastern Time, on May 27, 2009. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the Annual Meeting. A beneficial owner who wishes to vote at the meeting must have an appropriate proxy from his or her broker or bank appointing that beneficial owner as attorney-in-fact for purposes of voting the beneficially held shares at the meeting.

**Revocability of Proxies**

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. You may revoke your proxy by filing with our Corporate Secretary at our principal executive office, 9625 West 76<sup>th</sup> Street, Eden Prairie, Minnesota 55344, a written notice of revocation or a duly executed proxy bearing a later date, or you may revoke your proxy by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

If you are the beneficial owner of shares held in the name of a broker or bank and you wish to vote at the Annual Meeting, you must have an appropriate proxy from your broker or bank appointing you as attorney-in-fact for purposes of voting at the meeting.

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**Stockholder Proposals**

The deadline for submitting a stockholder proposal for inclusion in our proxy statement and form of proxy for our 2010 Annual Meeting of stockholders pursuant to Rule 14a-8 of the Securities and Exchange Commission is December 19, 2009.

For business to be properly brought before an annual meeting by a stockholder, the stockholder, wishing to submit proposals or director nominations that are not to be included in such proxy statement and proxy, must have given timely notice in writing to our Corporate Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not later than the close of business on February 27, 2010, nor earlier than the close of business on January 28, 2010. You should also review our bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.



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**Proposal 1  
ELECTION OF DIRECTORS**

Our Restated Certificate of Incorporation and bylaws provide that the Board of Directors will be divided into three classes, with each class having a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the full term of the class of directors in which the vacancy occurred and until the director's successor is elected and qualified.

The Board of Directors presently has seven members and one vacancy. There are two directors in the class whose term of office expires in 2009 (William J. Lansing and Frederic M. Seegal). Each of Messrs. Lansing and Seegal have informed us that due to other commitments, each will retire from the Board upon expiration of their terms at the Annual Meeting. On March 5, 2009 the Board of Directors appointed Douglas M. Steenland to the Board. The Nominating and Corporate Governance Committee of the Board has nominated Mr. Steenland to stand for election at the upcoming Annual Meeting. Set forth below is the name, age and biographical information for Mr. Steenland. If elected at the Annual Meeting, Mr. Steenland would serve until the 2012 annual meeting and until his successor was elected and has qualified, or until his death, resignation or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominee. In the event that the nominee should be unavailable for election as a result of an unexpected occurrence, the shares will be voted for the election of a substitute nominee as the Nominating and Corporate Governance Committee may propose. The nominee has agreed to serve if elected, and the Nominating and Corporate Governance Committee and management have no reason to believe that the nominee will be unable to serve.

Abstentions will be counted towards a quorum and towards the vote total for this proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum but are not counted towards the vote total for this proposal.

**Nominee For Election For A Three-Year Term Expiring At The 2012 Annual Meeting:**

**Douglas M. Steenland**

Mr. Steenland (57) has served as our director since March 2009. He served as President and Chief Executive Officer of Northwest Airlines Corporation ( NWA ) from October 2004 until October 2008 when NWA and Delta Air Lines, Inc. merged. Mr. Steenland served in a number of executive positions after joining NWA in 1991, including President from April 2001 to October 2004, Executive Vice President and Chief Corporate Officer from September 1999 to April 2001, Executive Vice President Alliances, General Counsel and Secretary from January 1999 to September 1999, Executive Vice President, General Counsel and Secretary from June 1998 to January 1999, and Senior Vice President, General Counsel and Secretary from 1994 to 1998. Prior to joining NWA, Mr. Steenland was a senior partner at the Washington, D.C. law firm of Verner, Lipfert, Bernhard, McPherson and Hand. Mr. Steenland is a director of Delta Air Lines, Inc. He previously served as a director of NWA from 2001 to October 2008.

**The Board of Directors Recommends  
a Vote in Favor of the Named Nominee**

**Directors Continuing In Office Until The 2011 Annual Meeting:**

**Thomas F. Madison**

Mr. Madison (73) has served as a director of the Company since August 1996. Mr. Madison is our Lead Director and serves as the Chair of the Company's Audit Committee, the Chair of the Company's Nominating and

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Corporate Governance Committee, and a member of the Company's Compensation Committee. Since January 1993, he has been the President and Chief Executive Officer of MLM Partners, a consulting and small business investment company. From December 1996 to March 1999, Mr. Madison served as Chairman of Communications Holdings, Inc., a communications and systems integration company. From August 1999 to March 2000, Mr. Madison served as Chairman of AetherWorks, Inc., a provider of Internet telephony and data networking solutions for the telecommunications industry. From February 1994 to September 1994, Mr. Madison served as Vice Chairman and Chief Executive Officer at Minnesota Mutual Life Insurance Company. From June 1987 to December 1992, Mr. Madison was President of US WEST Communications Markets, a division of US WEST, Inc. Mr. Madison serves as a director of Valmont Industries Inc., Delaware Group of Funds, CenterPoint Energy, Inc. and Rimage Corporation and from September 2003 to September 2005, he served as Chair of Banner Health System. From 1985 to 1987, Mr. Madison served as the President and Chief Executive Officer of Northwestern Bell Telephone Company.

**Directors Continuing In Office Until The 2010 Annual Meeting:****Joel A. Ronning**

Mr. Ronning (51) founded Digital River in February 1994 and has been Chief Executive Officer and a director since that time. From February 2001 to February 2004, Mr. Ronning was a member of the Office of the President, and from February 1994 to July 1998, he also was our President. From May 1995 to December 1999, Mr. Ronning served as Chairman of the Board of Directors of Tech Squared, Inc., a direct catalog marketer of software and hardware products, and from May 1995 to July 1998, he served as Chief Executive Officer, Chief Financial Officer and Secretary of Tech Squared, Inc. From May 1995 to August 1996, Mr. Ronning also served as President of Tech Squared, Inc. Mr. Ronning founded MacUSA, Inc., formerly a wholly owned subsidiary of Tech Squared, Inc., and he served as a director of MacUSA, Inc. from April 1990 to December 1999. From April 1990 to July 1998, Mr. Ronning also served as the Chief Executive Officer of MacUSA, Inc.

**Perry W. Steiner**

Mr. Steiner (43) has served as our director since April 1998 and served as our President from July 1998 to February 2001. Mr. Steiner serves on the Company's Audit Committee and Nominating and Corporate Governance Committee. In February 2001, Mr. Steiner joined the private equity firm Arlington Capital Partners, where he is a Managing Partner. Prior thereto, Mr. Steiner served as a senior member of Wasserstein Perella Ventures, Inc., a venture capital fund, and as a principal of TCW Capital, a group of leveraged buyout funds managed by Trust Company of the West. Mr. Steiner serves as a director of Main Line Broadcasting, Cherry Creek Radio and Long Island Radio.

**J. Paul Thorin**

Mr. Thorin (65) has served as our director since June 1996. Mr. Thorin serves on the Company's Audit Committee and the Company's Nominating and Corporate Governance Committee. Since July 2005, Mr. Thorin has been in private legal practice in San Francisco. From September 2000 to June 2005, Mr. Thorin served as Vice President and General Counsel of ArrayComm, Inc., a wireless technology company. From April 1996 to July 2000, Mr. Thorin served as General Counsel of Fujitsu America Inc., a subsidiary of Fujitsu Limited, and from June 1997 to July 2000, he served as its Vice President and General Counsel.

**Board Committees and Meetings**

The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee. In addition, in February 2005, the Board of Directors appointed Thomas F. Madison as the Lead Director of the Board for the purposes of overseeing and evaluating matters of corporate and Board governance. Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee has a written charter which may be viewed on our Web site at [www.digitalriver.com](http://www.digitalriver.com) under the Investor Relations link. The charters include information regarding the committees composition, purpose and responsibilities.

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During the fiscal year ended December 31, 2008, there were a total of nine meetings of the Board and each of the directors attended at least 75% of the total meetings of the Board and of the committees on which he served and which were held during the period he was a director or committee member. We encourage, but do not require, directors to attend the Annual Meeting of our stockholders. In 2008, all of our directors attended the annual meeting of stockholders.

The following table summarizes the membership of the Board and each of its Committees as well as the number of times each met during fiscal year 2008.

Director	Board	Audit	Compensation	Nominating and Corporate Governance	Finance
Mr. Ronning	Chair				
Mr. Madison (Lead)	Member	Chair	Member	Chair	
Mr. Lansing	Member		Chair	Member	Member
Mr. Seegal	Member		Member	Member	Chair
Mr. Steiner	Member	Member		Member	
Mr. Thorin	Member	Member		Member	
Mr. Steenland*	Member	Member	Member	Member	

\* Mr. Steenland was appointed to the Board in March 2009.

Number of Meetings in Fiscal Year 2008:

Meetings	Board	Audit	Compensation	Nominating and Corporate Governance	Finance
Regular	7	5	3	2	0
Special	2	0	1	0	0

*Audit Committee*

The Audit Committee of our Board of Directors oversees our corporate accounting and financial reporting processes and audits of our financial statements. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines the engagement and compensation of the independent auditors; determines whether to retain or terminate the existing independent auditors or to engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on our engagement team as required by law; reviews the financial statements to be included in our Annual Report on Form 10-K; and discusses with management and the independent auditors the results of the annual audit and the results of the quarterly financial statement reviews. Mr. Madison serves as the Chair of the Audit Committee and our Board has determined that Mr. Madison is an audit committee financial expert as defined in rules promulgated by the SEC.

*Compensation Committee*

The Compensation Committee reviews and approves our overall compensation strategy and policies. The Compensation Committee reviews and approves corporate performance goals and objectives relevant to the compensation of our executive officers; reviews and approves the compensation and other terms of employment of our Chief Executive Officer; and administers our stock option and purchase plans, pension and profit sharing plans, stock bonus plans, deferred compensation plans and other similar programs. Mr. Lansing serves as the Chair of the

Compensation Committee.

*Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee identifies, reviews, evaluates, recommends and approves candidates for membership on the Board and its various committees, and also is responsible for oversight

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of corporate governance issues. Mr. Madison serves as the Chair of the Nominating and Corporate Governance Committee.

Our bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to our Board at our Annual Meeting of stockholders. These requirements are separate from and in addition to the SEC requirements that must be met by a stockholder in order to have a stockholder proposal included in our proxy statement. See *Information Concerning Solicitation and Voting Stockholder Proposals*. To date, we have not received any recommendations from stockholders requesting that the Nominating and Corporate Governance Committee consider a candidate for inclusion among the slate of nominees presented at our Annual Meeting of stockholders. The Nominating and Corporate Governance Committee will consider qualified candidates for director suggested by the stockholders. Stockholders can suggest qualified candidates for director by writing to the attention of our Corporate Secretary at 9625 West 76th Street, Eden Prairie, Minnesota 55344. We will forward submissions that we receive which meet the criteria outlined below to the Nominating and Corporate Governance Committee for further review and consideration. We encourage you to forward any stockholder submissions to our Corporate Secretary prior to December 19, 2009, to ensure time for meaningful consideration of the nominee. See also

*Information Concerning Solicitation and Voting Stockholder Proposals* for applicable deadlines. The Nominating and Corporate Governance Committee also may develop other more formal policies regarding stockholder nominations.

Although the Nominating and Corporate Governance Committee has not formally adopted minimum criteria for director nominees, the Nominating and Corporate Governance Committee does seek to ensure that the members of our Board possess both exemplary professional and personal ethics and values and an in-depth understanding of our business and industry. The Nominating and Corporate Governance Committee also believes in the value of professional diversity among members of the Board, and it feels that it is appropriate for members of our senior management to participate as members of the Board. The Nominating and Corporate Governance Committee further believes that nominees should possess appropriate qualifications and reflect a reasonable diversity of backgrounds and perspectives, including those backgrounds and perspectives with respect to age, gender, culture, religion, race and national origin. The Nominating and Corporate Governance Committee requires that at least one member of the Board qualify as an audit committee financial expert as defined by SEC rules, and that a majority of the members of the Board meet the definition of independence under rules promulgated by Nasdaq.

The Nominating and Corporate Governance Committee identifies nominees for the class of directors being elected at each Annual Meeting of stockholders by first evaluating the current members of the class of directors willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue to serve on our Board are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with the benefits of bringing on members with new perspectives. If any member of the class of directors does not wish to continue in service or if the Nominating and Corporate Governance Committee decides not to re-nominate a member of such class of directors for reelection, the Nominating and Corporate Governance Committee will review the skills and experience of a new nominee in light of the criteria above.

*Finance Committee*

The Finance Committee advises senior management with respect to various strategic undertakings, including capital raising activities, acquisitions and other financial matters. The Finance Committee is composed of Messrs. Seegal and Lansing and it meets only occasionally as may be necessary to assist senior management. Mr. Seegal serves as the Chair of the Finance Committee. All members are independent, as independence is currently defined in the rules promulgated by Nasdaq. The Finance Committee has not adopted a written charter.

**Director Independence**

The Board has reviewed director independence. As a result of this review, the Board determined that six of the seven directors, including the director being nominated for re-election at the Annual Meeting (Mr. Steenland), are independent of us and our management, as independence is currently defined in rules promulgated by Nasdaq. All members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee qualify as independent directors, as independence is currently defined in rules promulgated by Nasdaq, and, in the case of the Audit Committee, the SEC and Nasdaq. The independent directors are Messrs. Madison,



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Lansing, Steiner, Seegal, Thorin and Steenland. Mr. Ronning is considered an inside director because of his continued employment as our Chief Executive Officer.

### **Executive Sessions**

During the fiscal year ended December 31, 2008, the non-management independent directors met in executive sessions without management on thirteen occasions. Mr. Madison presided over these executive sessions as the Lead Director.

### **Corporate Governance Guidelines**

We have adopted Corporate Governance Guidelines that outline, among other matters, the role and functions of the Board, the responsibilities of various Board committees, and the procedures for reporting concerns to the Board.

The Guidelines provide, among other things, that:  
a majority of the directors must be independent.

the Board designate a lead independent director who, among other duties, is responsible for presiding over executive sessions of independent directors.

the Board appoint all members of the Board committees.

the independent directors meet in executive sessions without the presence of the non-independent directors or members of our management at least four times a year during regularly scheduled Board meeting days and from time to time as deemed necessary or appropriate.

As the operation of the Board is a dynamic process, the Board regularly reviews changing legal and regulatory requirements, evolving best practices and other developments. The Board may modify the Guidelines from time to time, as appropriate.

### **Copies of Governance Guidelines, Code Of Conduct and Ethics and Board Committee Charters**

Copies of our Corporate Governance Guidelines, Code of Conduct and Ethics and all Board Committee Charters can be viewed on and downloaded from our website at [www.digitalriver.com](http://www.digitalriver.com), under the Investor Relations link. You may request free print copies of each of them by writing to our Corporate Secretary at the address listed below under the heading Communications with the Board of Directors.

### **Code of Conduct and Ethics**

We have adopted a Code of Conduct and Ethics that applies to our Chief Executive Officer and senior financial officers, including our Chief Financial Officer and our Controller, as well as our Board of Directors and all employees. We will provide a copy of the Code to any person, without charge, upon request. These requests can be made in writing to our Corporate Secretary at 9625 West 76th Street, Eden Prairie, Minnesota 55344. To the extent permitted by the rules promulgated by Nasdaq, we intend to disclose any amendments to, or waivers from, the Code provisions applicable to our Chief Executive Officer and senior financial officers, including our Chief Financial Officer and Controller, or with respect to the required elements of the Code on our website, [www.digitalriver.com](http://www.digitalriver.com), under the Investor Relations link.

### **Communications with the Board of Directors**

If you wish to communicate with the Board of Directors, with the independent directors as a group or with the Lead Director, you may send your communication in writing to our Corporate Secretary at 9625 West 76th Street, Eden Prairie, Minnesota 55344. You must include your name and address and indicate whether you are a stockholder of Digital River. The Corporate Secretary will compile all communications, summarize all lengthy, repetitive or duplicative communications and forward them to the appropriate director or directors. For example, the Corporate Secretary will forward stockholder communications recommending potential director nominees to the chairman of the Nominating and Corporate Governance Committee. The Corporate Secretary will not forward non-substantive communications or communications that pertain to personal grievances, but instead will forward them to the appropriate department for resolution. In this case, the Corporate Secretary will retain a copy of the communication for review by any director upon his request.





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### **Director Nominations**

The Nominating and Corporate Governance Committee is the standing committee responsible for identifying and recommending nominees for election to the Board of Directors. The Nominating and Corporate Governance Committee determines the required selection criteria and qualifications of director nominees based upon our needs at the time nominees are considered. A candidate must exhibit strong personal integrity, character, ethics and judgment. When evaluating prospective candidates, the Committee will consider, in accordance with its charter, such factors as:

The candidate's business skills and experience;

The candidate's satisfaction of independence and qualification requirements of Nasdaq;

The mix of directors and their individual skills and experiences; and

Core competencies that should be represented on the Board.

When current Board members are considered for nomination for re-election, the Nominating and Corporate Governance Committee assesses the contributions of those directors, their performance and their attendance at Board and respective Committee meetings.

The Nominating and Corporate Governance Committee will consider qualified candidates for possible nomination that are submitted by shareholders. Any shareholder wishing to propose a nominee should submit a recommendation in writing to our Corporate Secretary, at 9625 West 76th Street, Eden Prairie, Minnesota, 55344, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as a director. These proposals for nominees will be given due consideration by the Nominating and Corporate Governance Committee for recommendations to the Board based on the nominee's qualifications.

No candidates for director nominations were submitted to the Nominating and Corporate Governance Committee by any shareholder in connection with the 2009 Annual Meeting. We encourage you to forward any stockholder submissions to our Corporate Secretary prior to December 19, 2009, to ensure time for meaningful consideration of the nominee in connection with the 2010 Annual Meeting. See also "Information Concerning Solicitation and Voting Stockholder Proposals" for applicable deadlines.

### **Report of the Audit Committee of the Board of Directors**

The following is the report of the Audit Committee with respect to our audited financial statements for the fiscal year ended December 31, 2008, which include our consolidated balance sheets as of December 31, 2008 and 2007, and the consolidated statements of operations, stockholders' equity and cash flows for each year in the periods ended December 31, 2008, 2007 and 2006, and the related notes.

The Audit Committee reviews our consolidated financial statements, corporate accounting and financial reporting process and internal controls on behalf of the Board of Directors. All of the members of the Audit Committee are independent under the current requirements of the Nasdaq listing standards and SEC rules and regulations. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal control over financial reporting. In fulfilling its oversight responsibilities with respect to our corporate accounting and financial reporting process, the Audit Committee regularly reviews and discusses the financial statements with management, including the discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also regularly meets with our independent auditors who have unrestricted access to the Audit Committee. During the fiscal year ended December 31, 2008, the Audit Committee actively participated in overseeing our efforts in maintaining and testing internal controls over financial reporting in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, in connection with which our independent auditors issued an unqualified opinion on February 19, 2009.

The Audit Committee determines the engagement and compensation of the independent auditors, evaluates the performance of and assesses the qualifications of the independent auditors, reviews and pre-approves the retention of the independent auditors to perform any proposed permissible non-audit services and monitors the rotation of partners of the independent auditors on our engagement team. The Audit Committee reviewed and discussed with Ernst &

Young LLP, our independent auditors who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to

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the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T (*Communication with Audit Committees*). In addition, the Audit Committee has discussed with Ernst & Young LLP their independence from us and our management and the Audit Committee has received the written disclosures and the letter from the independent accountants required by Rule 3526 of the Public Company Accounting Oversight Board, (*Communications with Audit Committees Concerning Independence*), and considered the compatibility of any non-audit services with the independence of Ernst & Young LLP.

The Audit Committee discussed with our independent auditors the overall scope and plans for their audit. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of our internal control and the overall quality of our financial reporting. During the last fiscal year, the Audit Committee met with the independent auditors four times without management present in connection with the foregoing matters.

Based upon the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC.

*The information contained in this report shall not be deemed to be soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.*

**Audit Committee**

Thomas F. Madison, Chairman

Perry W. Steiner

J. Paul Thorin

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**Proposal 2**  
**PROPOSAL TO AMEND THE COMPANY S**  
**2007 EQUITY INCENTIVE PLAN**

In February 2007, the Board adopted, and the stockholders subsequently approved, the Company's 2007 Equity Incentive Plan (the "2007 Plan"). There are 2,000,000 shares of common stock reserved for issuance under the 2007 Plan. As of March 31, 2009, an aggregate of 1,873,982 shares of the Company's common stock (net of cancelled or expired options or restricted or performance shares that had been forfeited) had been granted under the 2007 Plan. Only 279,135 shares of common stock (plus any shares that might in the future be returned to the 2007 Plan as a result of cancellations or expirations of options or forfeiture of restricted or performance shares) remained available for future grants under the 2007 Plan.

In March 2009, the Board amended the 2007 Plan, subject to stockholder approval, to increase the number of shares of common stock authorized for issuance under the 2007 Plan from a total of 2,000,000 shares to a total of 4,650,000 shares. The Board adopted this amendment in order to ensure that the Company can continue to grant stock options, restricted shares or performance shares at levels determined appropriate by the Board and the Compensation Committee.

Stockholders are requested in this Proposal 2 to approve (a) the increase of shares available under the 2007 Plan from 2,000,000 shares to 4,650,000 shares and (b) the elimination of the minimum three-year vesting in the case of restricted stock grants to non-employee directors. The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting will be required to approve the increase of authorized shares under the 2007 Plan. Abstentions will be counted towards the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

The use of equity compensation has historically been a significant part of our overall compensation philosophy and is a practice that we plan to continue. The 2007 Plan serves as an important part of this practice and is a critical part of the compensation package that we offer our personnel. We believe that the use of stock options, restricted stock, performance shares and other equity-based incentives are critical for us to attract and retain the most qualified personnel and to respond to relevant market changes in equity compensation practices. In addition, awards under the 2007 Plan provide our employees an opportunity to acquire or increase their ownership stake in us, and we believe this alignment with our stockholders creates a strong incentive to work hard for our growth and success.

In connection with the amendment to reserve additional shares, the 2007 Plan also is being amended to eliminate the three year vesting schedule on the grant of restricted shares in the case of grants to non-employee directors. In recent years, like many companies, we have granted restricted shares to our non-employee directors as part of their compensation package. Under the 2007 Plan, all grants of restricted stock must, at a minimum, vest over three years in equal annual installments. This amendment will provide the Board with flexibility to grant restricted shares to non-employee directors with no required minimum vesting schedule similar to many other companies in our peer group.

The description of the 2007 Plan below is qualified in its entirety by reference to the provisions of the 2007 Plan itself, which is attached as Appendix A to these proxy materials.

As of April 1, 2009, the fair market value per share of our common stock was \$29.97.

**Purpose of the 2007 Plan**

The purpose of the 2007 Plan is to provide a means by which eligible participants may be given the opportunity to benefit from increases in value of our common stock, to secure and retain the services of eligible participants, to provide incentives for eligible participants to exert maximum efforts for our success, and to align the interests of eligible participants with the interests of our stockholders.

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**2007 Plan Basics**

Eligible participants:	All of our employees, directors and consultants and those of our subsidiaries. As of April 1, 2009 approximately 991 persons were eligible for stock awards under the 2007 Plan.	
Types of awards:	Incentive stock options Nonstatutory stock options	Restricted stock awards Restricted stock unit awards Performance shares
Share reserve:	Subject to capitalization adjustments, 2,000,000 shares of our common stock are reserved under the 2007 Plan.  In addition, shares not issued under the 1998 Plan shall become available for issuance under the 2007 Plan to the extent a stock option or other stock award under the 1998 Plan expires or terminates before shares of common stock are issued under the award.	
Limitations:	For any two shares of our common stock issued in connection with a full value award that does not provide for full payment in cash or property by the participant, three fewer shares will be available for issuance in connection with future awards.  No more than 400,000 shares of our common stock subject to stock awards may be granted to an eligible participant in any calendar year.	
Capitalization adjustments:	Share reserve, limitations, purchase price and number of shares subject to outstanding stock awards will be adjusted in the event of a stock split, reverse stock split, stock dividend, merger, consolidation, reorganization, recapitalization, or similar transaction.	
Repricing:	Not permitted without stockholder approval.	

**Stock Options**

Term:	Not more than 10 years from the date of grant.	
Exercise price:	Not less than 100% of fair market value on the date of grant.	
Consideration:	Cash Net exercise	Delivery of our common stock Any other form of legal consideration
Transferability:	Nontransferable; except upon death or divorce (nonstatutory stock options only).	
Vesting:	To be determined by the Board at the time of grant.	
Termination of service:	7 days following termination for cause 90 days following termination without cause Additional time if termination due to death or disability	

**Restricted Stock Awards; Restricted Stock Unit Awards; and Performance Shares**

Purchase price: Determined by Board at the time of grant; may be zero.

Consideration: Determined by Board at the time of grant; may be in any form permissible under applicable law.

Vesting: Determined by Board at time of grant; may be based on achievement of performance objectives; provided that if the vesting schedule is a time-based vesting schedule, such shares shall vest not faster than one-third per year over three years and if the vesting schedule is a performance-based vesting schedule, such shares shall vest not earlier than the first anniversary of the date of grant. To the extent Proposal 2 is adopted by the stockholders, in the case of grants to non-employee directors, there is no minimum vesting schedule.

Performance objectives:	Total shareholder return	Net earnings growth
	Earnings per share	Return on assets
	Stock price	Revenues
	Return on equity	Expenses

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Net earnings	Funds from operations
Related return ratios	Funds from operations per share
Cash flow	Earnings before interest, taxes, depreciation, and amortization

Payment:	Payable only in shares of our common stock.
Termination of service:	Unvested portion of the stock award is forfeited.
Dividend equivalents:	Dividend equivalents may be credited in respect of shares of common stock equivalents underlying restricted stock unit awards and performance shares.
Transferability:	Stock awards are transferable as provided in the stock award agreement.
Deferral of award payment:	Board may establish one or more programs to permit selected participants to elect to defer receipt of consideration upon exercise of a stock award, the satisfaction of performance objectives, or other events which would entitle the participant to payment, receipt of our common stock or other consideration.

**Additional 2007 Plan Terms**

*Administration.* The 2007 Plan will be administered by the Compensation Committee, which will have the power to interpret the plan and to adopt such rules and guidelines for carrying out the plan as it may deem appropriate. The Compensation Committee will have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which we or one of our subsidiaries may operate to assure the viability of the benefits of awards made to individuals employed in such countries and to meet the objectives of the 2007 Plan. Subject to the terms of the 2007 Plan, the Compensation Committee will have the authority to determine those individuals eligible to receive awards and the amount, type and terms of each award and to establish and administer any performance goals applicable to such awards.

Stock options granted under the 2007 Plan will qualify as performance-based compensation under Section 162(m). Other stock awards may, but need not, include performance objectives that satisfy the requirements of Section 162(m). To the extent that stock awards (other than stock options) are intended to qualify as performance-based compensation under Section 162(m), the performance objectives will be one of the objectives listed as performance objectives in the preceding section of this plan summary. The Compensation Committee will determine which performance objectives shall apply to specific stock awards.

*Tax withholding.* Tax withholding obligations may be satisfied by the eligible participant by (i) tendering a cash payment; (ii) authorizing us to withhold shares of our common stock from the shares otherwise issuable as a result of the exercise or acquisition of common stock under the Stock Award; or (iii) delivering to us owned and unencumbered shares of common stock.

*Corporate Transactions; Securities Acquisition.* In the event of a corporate transaction, the surviving corporation may assume, continue or substitute outstanding stock awards. To the extent that the stock awards are not assumed, continued or substituted, the vesting (and exercisability if applicable) of the stock awards held by eligible participants who are in continuous service with Digital River prior to the effective time of the corporate transaction shall be accelerated and, if applicable, terminated at the effective time of the corporate transaction if not exercised prior to the effective time. In the event of certain securities acquisitions involving more than 50% of our outstanding securities, the vesting (and exercisability if applicable) of all outstanding stock awards shall be accelerated. The acceleration of the vesting of stock awards in the event of an acquisition or similar corporate event may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of Digital River.

*Amendment; Termination.* The Board may amend the 2007 Plan at any time, provided, that the amendment does not impair the rights of any eligible participant with respect to any outstanding award. Some amendments may require stockholder approval. The Board may suspend or terminate the 2007 Plan at any time. No stock awards will be granted under the 2007 Plan after it is suspended or terminated. Unless sooner terminated by the Board, the 2007 Plan will terminate on April 4, 2017.



**Table of Contents****Federal Income Tax Consequences**

The following is only a brief summary of the effect of U.S. federal income taxation on us and the 2007 Plan participants. This summary does not discuss the income tax laws of any other jurisdiction (such as municipality or state) in which the recipient of the award may reside. For purposes of this discussion Code is the Internal Revenue Code of 1986, as amended.

*Incentive Stock Options.* No tax will be payable by us or the participant at the time of grant or exercise of an incentive stock option that satisfies the requirements of Code Section 422. The participant will recognize long term capital gain or loss on the sale or exchange of the shares acquired upon the exercise of the incentive stock option if the participant sells or exchanges the shares at least two years after the date grant and more than one year after the date of exercise. If the participant sells or exchanges the shares earlier than the expiration of these two holding periods, then the participant will recognize ordinary income equal to the lesser of the difference between the exercise price of the option and the fair market value of the shares on the date of exercise or the difference between the sales price and the exercise price. Any additional gain on the sale of the shares will be capital gain. We will be entitled to deduct the amount, if any, that the participant recognizes as ordinary income, subject to certain reporting requirements.

*Nonstatutory Stock Options.* No tax will be payable by us or the participant at the time of grant of a nonstatutory stock option. Upon exercise of a nonstatutory stock option, the excess, if any, of the fair market value of the shares with respect to which the award is exercised over the exercise price of the award will be treated for Federal tax purposes as ordinary income. Any profit or loss realized on the sale or exchange of the shares will be treated as a capital gain or loss. We will be entitled to deduct the amount, if any, by which the fair market value of the shares on the date of exercise exceeds the exercise price.

*Restricted Stock.* Generally, no taxes are due when the restricted stock award is initially granted and we will not take a deduction at that time. The fair market value of the shares subject to the award is taxable as ordinary income when it is no longer subject to a substantial risk of forfeiture (i.e., becomes vested or transferable). Income tax is paid by the participant on the value of the shares at ordinary rates when the restrictions lapse and we will be entitled to a corresponding deduction. Any profit or loss realized on the sale or exchange of the shares will be treated as a capital gain or loss.

*Restricted Stock Units and Performance Shares.* Generally, no taxes are due when the restricted stock units or performance shares are initially granted and we will take a deduction at that time. The fair market value of the shares subject to the award is taxable to the participant when the shares are paid to the participant subject to the design limitations and requirements of Code Section 409A. We will be entitled to deduct the amount, if any, that the participant recognizes as ordinary income.

*Section 162(m).* Section 162(m) denies a deduction to any publicly held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1 million. Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. As described above, stock options granted under the 2007 Plan qualify as performance-based compensation under Section 162(m). Other stock awards will qualify as performance-based compensation if the grant of the stock award or the vesting of the stock award is subject to one or more performance objectives that satisfy the requirements of Section 162(m).

*Deferred Compensation.* Subject to further guidance from the Internal Revenue Service, restricted stock unit awards and performance shares that may be deferred beyond the vesting date are deferred compensation and subject to the design limitations and requirements of Code Section 409A. If the limitations and requirements of Code Section 409A are violated, deferred amounts will be subject to tax at ordinary income rates immediately upon such violation and affected participants will be subject to penalties equal to (i) 20% of the amount deferred and (ii) interest at a specified rate on the under-payment of tax that would have occurred had the deferred compensation been included in gross income in the taxable year in which it was first deferred.

**OTHER EQUITY PLANS****1998 EQUITY INCENTIVE PLAN**

The terms and conditions of the 1998 Plan are substantially similar to the terms and conditions of the 2007 Plan. The 1998 Plan was initially adopted by our stockholders in 1998 and amended and restated in 2005, which

amendment was adopted by our stockholders in 2005. The 1998 Plan provides for the award of stock options and stock-based awards to our elected officers, outside directors, and employees. As of March 31, 2009, there were 2,317,807 shares subject to issuance upon exercise of outstanding options under the 1998 Plan, at a weighted average exercise price of \$29.98, and with a weighted average remaining life of 5.9 years. The 1998 Plan terminated on June 8, 2008 and all options or awards originally granted under the 1998 Plan are governed by the

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terms and conditions of the 1998 Plan, except that to the extent that any options or other stock award expires or terminates before the stock underlying the award has been issued under the 1998, the shares otherwise set aside of those awards shall become available for issuance under the 2007 Plan.

**INDUCEMENT EQUITY INCENTIVE PLAN**

In December 2005, in connection with the acquisition of DR globalTech, Inc. (f/k/a Commerce5, Inc.), we adopted an Inducement Equity Incentive Plan (the Inducement Plan ) for DR globalTech, Inc. executives who joined us as a result of the acquisition. A total of 87,500 restricted shares of our common stock were reserved for grants under the Inducement Plan. The terms and conditions of the Inducement Plan are substantially similar to the terms and conditions of the 2007 Plan. As set forth under Equity Compensation Plan Information on page 36, at December 31, 2008, no shares of our common stock remained available for future issuance under the Inducement Plan.

**2000 EMPLOYEE STOCK PURCHASE PLAN**

In March 2000, the Board adopted our 2000 Employee Stock Purchase Plan (the Purchase Plan ) to provide a means by which our employees (and employees of any of our parent or subsidiaries designated by the Board to participate in the Purchase Plan) may be given an opportunity to purchase our common stock through payroll deductions. All of our employees, including officers, who are regularly scheduled to work at least 20 hours per week and at least 5 months per year, are eligible to participate in the Purchase Plan. The rights to purchase our common stock that are granted under the Purchase Plan are intended to qualify as options issued under an employee stock purchase plan as that term is defined in Section 423(b) of the Code. The Purchase Plan is administered by the Board and the Compensation Committee and is implemented by offerings of rights to purchase common stock from time to time to all eligible employees. The Purchase Plan permits offerings up to 27 months in duration. However, currently each offering under the Purchase Plan is six months in duration. Employees who participate in an offering under the Purchase Plan have the right to purchase up to the number of shares of common stock equal to a percentage designated by the Board (currently, up to 10%) of an employee's earnings withheld pursuant to the Purchase Plan and applied, on specified dates determined by the Board, to the purchase of shares of our common stock. The purchase price per share at which shares of common stock are sold in each offering under the Purchase Plan equals the lower of (i) 85% of the fair market value of a share of common stock on the first day of the offering or (ii) 85% of the fair market value of a share of common stock on the last day of the offering or the purchase date. The Board has amended the Purchase Plan from time to time to increase the number of shares reserved for issuance under the Purchase Plan, which amendments were approved by our stockholders, most recently at our 2003 annual meeting. Currently, there are 368,777 shares reserved for issuance under the Purchase Plan.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting will be required to approve the 2007 Plan. Abstentions will be counted toward the tabulation of votes cast on the proposal presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

**THE BOARD OF DIRECTORS RECOMMENDS**

**A VOTE IN FAVOR OF PROPOSAL 2**

**Proposal 3**

**RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2009, and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since 2002. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent auditors. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the



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Board in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in our best interests and in the best interests of our stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

**The Board of Directors Recommends  
a Vote in Favor of Proposal 3**

**Audit Fees**

During the last two fiscal years ended December 31, 2008 and 2007, respectively, the aggregate fees billed by Ernst & Young LLP for the professional services rendered for the audit of our annual financial statements and for the review of the financial statements included in our Forms 10-Q were approximately \$1,385,900 and \$1,213,000, respectively.

**Audit-Related Fees**

Audit-related fees are billed for assurance and related services reasonably related to the performance of the audit or review of our financial statements, and are not reported under Audit Fees. These services include professional services requested by us in connection with review of SEC filings, merger and acquisition due diligence, employee benefit plan audits and attest services pursuant to Statement on Auditing Standard (SAS) No. 70. The aggregate audit-related fees billed by Ernst & Young LLP were approximately \$261,000 and \$254,000 for the fiscal years ended December 31, 2008 and 2007, respectively.

**Tax Fees**

Tax fees are billed for professional services for tax compliance, tax advice and tax planning. These services include assistance with tax return preparation and review, federal, state and international tax compliance, strategic tax planning services, including in connection with our international subsidiaries, and structuring of acquisitions. The aggregate fees billed by Ernst & Young LLP for these services were approximately \$160,400 and \$233,439 for the fiscal years ended December 31, 2008 and 2007, respectively.

**All Other Fees**

During the last two fiscal years ended December 31, 2008 and 2007, respectively, there were no fees billed by Ernst & Young LLP for professional services other than those described above.

**Pre-Approval Policies And Procedures**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services to be provided by our independent auditors. The Audit Committee meets with our independent auditors to pre-approve the annual scope of accounting services to be performed, including all audit and non-audit services, and the related fee estimates. Pre-approval is detailed as to the particular service or category of services to be provided and is generally subject to a specific budget. The Audit Committee also meets with our independent auditors, on a quarterly basis, following completion of their quarterly reviews and annual audit and prior to our earnings announcements, to review the results of their work. As appropriate, management and our independent auditors update the Audit Committee with material changes to any service engagement and related fee estimates as compared to amounts previously approved.

Under its charter, the Audit Committee has the authority and responsibility to review and approve the retention of our outside auditors to perform any proposed permissible non-audit services. The Audit Committee may delegate this authority to one or more Committee members, but any approvals of non-audit services made pursuant to this delegated authority must be presented to the full Committee at its next meeting. To date, the Audit

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Committee has not delegated its approval authority, and all audit and non-audit services provided by Ernst & Young LLP have been pre-approved by the Audit Committee in advance.

**Auditors Independence**

The Audit Committee has determined that the rendering of all the aforementioned services by Ernst & Young LLP were compatible with maintaining the auditors independence.

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**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of our common stock as of March 31, 2009, by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of its common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent
Capital World Investors 333 South Hope Street Los Angeles, California 90071	3,650,000	9.6%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	2,683,550	7.0%
Earnest Partners, LLC 1180 Peachtree Street NE Suite 2300 Atlanta, Georgia 30309	2,415,011	6.3%
Joel A. Ronning (2)	1,199,002	3.1%
Thomas M. Donnelly (3)	296,660	*
Kevin L. Crudden (4)	89,823	*
William J. Lansing (5)	31,000	*
Thomas F. Madison (6)	88,836	*
Perry W. Steiner (7)	47,500	*
J. Paul Thorin (8)	90,000	*
Frederic M. Seegal (9)	61,000	*
Douglas M. Steenland	0	*
All directors and executive officers as a group (9 persons) (10)	1,903,821	5.0%

\* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the

SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Unless otherwise indicated, the principal address of each of the stockholders named in this table is: c/o Digital River, Inc., 9625 West 76th Street, Eden Prairie, Minnesota 55344. Applicable percentages are based on 38,176,234 shares outstanding on March 31, 2009, adjusted as required by rules promulgated by the SEC.

- (2) Includes 192,500 shares



of restricted stock subject to our right of repurchase and 642,782 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.

(3) Includes 102,500 shares of restricted stock subject to our right of repurchase and 182,812 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.

(4) Includes 46,970 shares of restricted stock subject to our right of repurchase and 37,880 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.

(5) Includes 6,000 shares of restricted stock subject to our right of repurchase and 25,000 shares issuable upon

exercise of  
options  
exercisable  
within 60 days  
of March 31,  
2009.

(6) Includes 9,500  
shares of  
restricted stock  
subject to our  
right of  
repurchase and  
67,188 shares  
issuable upon  
exercise of  
options  
exercisable  
within 60 days  
of March 31,  
2009.

(7) Includes 6,000  
shares of  
restricted stock  
subject to our  
right of  
repurchase and  
30,000 shares  
issuable upon  
exercise of  
options  
exercisable  
within 60 days  
of March 31,  
2009.

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- (8) Includes 6,000 shares of restricted stock subject to our right of repurchase and 72,500 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.
- (9) Includes 6,000 shares of restricted stock subject to our right of repurchase and 45,000 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.
- (10) See footnotes number 2 through 9 above. Includes 375,470 shares of restricted stock subject to our right of repurchase and 1,103,162 shares issuable upon exercise of options exercisable within 60 days of March 31, 2009.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2008, we had one late filing for Mr. Donnelly and one late filing for Mr. Crudden, in each case relating to a company sale to withhold income taxes for each person for restricted shares that vested. Otherwise, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

**COMPENSATION OF DIRECTORS**

**Compensation of Directors**

**Retainer and Meeting Fees**

Directors who are our employees do not receive any additional compensation for their services as directors. During fiscal year 2008, non-employee directors received an annual retainer of \$15,000, which is paid quarterly, and cash compensation of \$2,500 for each regular board meeting they attended in person, which compensation decreased to \$1,000 if the meeting was attended telephonically. In addition, directors shall be paid cash compensation of \$1,000 for each special meeting of the Board attended and \$1,000 for each special meeting of a committee attended. In March 2009, the full Board reviewed the non-employee directors' cash compensation and left it unchanged for fiscal year 2009.

In addition to the retainer and meeting fees, non-employee directors are reimbursed for travel and other reasonable out-of-pocket expenses related to attendance at Board and committee meetings.

**Equity Compensation**

In 2008, each non-employee director received an annual restricted stock grant of 5,000 shares of our common stock, which vests annually, one-third per year, over a three-year period. The grant of the restricted stock award and the vesting schedule are designed to further align the directors' interests with the interests of our stockholders and to provide the directors with an incentive to maximize long-term stockholder value.

In addition to the restricted stock grants, which were made to all non-employee directors, the chairmen of the Compensation, Nominating and Corporate Governance and Finance Committees each received an additional annual restricted stock grant of 1,000 shares; the chairman of the Audit Committee received an additional annual restricted stock grant of 2,000 shares; members of the Audit Committee (other than the chairman) each received an annual restricted stock grant of 1,000 shares; and the Lead Director received an annual restricted stock grant of 1,500 shares. All of these restricted stock grants vest annually, one-third per year, over a three-year period.

In March 2009, the Compensation Committee and the full Board reviewed the non-employee directors' equity component to the compensation program and left it unchanged for fiscal year 2009. The Board of Directors will annually evaluate and consider whether to maintain or modify the compensation program for the non-employee directors.

**Stock Ownership Guidelines**

The Board has adopted stock ownership guidelines for the directors to more closely align the interests of our directors with those of our stockholders. The guidelines provide that non-employee directors should maintain an investment in Digital River common stock equal to at least \$200,000. This investment level should be achieved within a specified period or, in any event, no later than four years after their initial election as a director.

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The following table shows compensation information for our non-employee directors for fiscal year 2008.

**Director Compensation  
For Fiscal Year 2008**

Name	Fees Earned or Paid in Cash (\$)	Stock	Option	Non-Equity Incentive Plan	All Other	Total (\$)
		Awards (\$) (1)	Awards (\$) (2)	Compensation (\$)	Compensation (\$)	
William J. Lansing (3)	\$ 34,000	\$233,984	\$15,745	\$	\$	\$283,729
Thomas F. Madison (4)	\$ 32,500	\$358,683	\$23,567	\$	\$	\$414,750
Frederic M. Seegal (5)	\$ 35,000	\$233,984	\$15,745	\$	\$	\$284,729
Perry W. Steiner (6)	\$ 33,000	\$228,120	\$15,745	\$	\$	\$276,865
J. Paul Thorin (7)	\$ 33,000	\$228,120	\$15,745	\$	\$	\$276,865
Douglas M. Steenland (8)	\$	\$	\$	\$	\$	\$

(1) This column is the dollar amount recognized for financial statement reporting purposes for 2008 for the fair value of restricted stock granted in 2008 and in prior fiscal years, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For restricted stock,

the fair value is calculated using the closing price of Digital River stock on the date of grant.

- (2) This column is the dollar amount recognized for financial statement reporting purposes for 2008 for the fair value of stock options granted in prior fiscal years, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions for the grants, refer to note 5, Stock-Based Compensation, in the Digital River, Inc. financial statements in the Form 10-K for the year ended December 31, 2008, as filed with the SEC.

- (3) Reflects the compensation costs recognized by Digital River in 2008 for stock award and stock option grants with the following fair values as of the grant date: (a) \$210,660 for a stock award grant for 6,000 shares made on February 10, 2006; (b) \$332,340 for a stock award grant for 6,000 shares made on February 28, 2007; (c) \$191,040 for a stock award grant for 6,000 shares made on March 4, 2008; and (d) \$422,350 for a stock option grant to purchase 25,000 shares made on February 10, 2005 at an exercise price of \$30.69 per share. Mr. Lansing has 12,000 stock awards and 40,000 options outstanding at the end of 2008.

- (4) Reflects the compensation costs recognized by Digital River

in 2008 for stock award and stock option grants with the following fair values as of the grant date: (a) \$298,435 for a stock award grant for 8,500 shares made on February 10, 2006; (b) \$526,205 for a stock award grant for 9,500 shares made on February 28, 2007; (c) \$302,480 for a stock award grant for 9,500 shares made on March 4, 2008; and (d) \$633,525 for a stock option grant to purchase 37,500 shares made on February 10, 2005 at an exercise price of \$30.69 per share.

Mr. Madison has 18,666 stock awards and 67,188 options outstanding at the end of 2008.

- (5) Reflects the compensation costs recognized by Digital River in 2008 for stock award and stock option grants with the following fair



values as of the grant date: (a) \$210,660 for a stock award grant for 6,000 shares made on February 10, 2006; (b) \$332,340 for a stock award grant for 6,000 shares made on February 28, 2007; (c) \$191,040 for a stock award grant for 6,000 shares made on March 4, 2008; and (d) \$422,350 for a stock option grant to purchase 25,000 shares made on February 10, 2005 at an exercise price of \$30.69 per share.

Mr. Seegal has 12,000 stock awards and 45,000 options outstanding at the end of 2008.

- (6) Reflects the compensation costs recognized by Digital River in 2008 for stock award and stock option grants with the following fair values as of the grant date: (a) \$193,105 for a stock award grant for 5,500

shares made on February 10, 2006; (b) \$332,340 for a stock award grant for 6,000 shares made on February 28, 2007; (c) \$191,040 for a stock award grant for 6,000 shares made on March 4, 2008; and (d) \$422,350 for a stock option grant to purchase 25,000 shares made on February 10, 2005 at an exercise price of \$30.69 per share.

Mr. Steiner has 11,833 stock awards and 30,000 options outstanding at the end of 2008.

- (7) Reflects the compensation costs recognized by Digital River in 2008 for stock award and stock option grants with the following fair values as of the grant date: (a) \$193,105 for a stock award grant for 5,500 shares made on February 10, 2006; (b) \$332,340 for a stock award

grant for 6,000 shares made on February 28, 2007; (c) \$191,040 for a stock award grant for 6,000 shares made on March 4, 2008; and (d) \$422,350 for a stock option grant to purchase 25,000 shares made on February 10, 2005 at an exercise price of \$30.69 per share.

Mr. Thorin has 11,833 stock awards and 72,500 options outstanding at the end of 2008.

- (8) Mr. Steenland was appointed a Class II director in March 2009 and did not receive any compensation for the year ended December 31, 2008.

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**EXECUTIVE COMPENSATION AND RELATED INFORMATION**  
**Compensation Discussion and Analysis**

**Overview of Compensation Program and Philosophy**

The Compensation Committee bases its executive compensation programs on the same objectives that guide us in establishing all of our compensation programs:

*Compensation should be based on the level of job responsibility, individual performance and company performance.* As employees progress to higher levels in the organization, an increasing proportion of their pay should be linked to company performance and shareholder returns, because they are more able to affect our business results.

*Compensation should reflect the value of the job in the marketplace.* To attract and retain a highly skilled work force, we must remain competitive with the compensation programs of other employers who compete with us for talent.

*Compensation should reward performance.* Our programs should deliver top-tier compensation given top-tier individual and company performance. In addition, the objectives of pay-for-performance and retention must be balanced. Even in periods of temporary downturns in company performance, the programs should continue to ensure that successful, high-achieving employees will remain motivated and committed to us.

*Compensation should foster the long-term focus required for success in the e-commerce industry.* While all employees receive a mix of both annual and long-term incentives, employees at higher levels have an increasing proportion of their compensation tied to long-term performance because they are in a position to have greater influence on long-term results.

The above policies guide the Compensation Committee in assessing the proper allocation between long-term compensation, current cash compensation and short-term bonus compensation.

In determining the particular elements of compensation that will be used to implement our overall compensation policies, the Compensation Committee takes into consideration a number of factors related to our performance, such as our revenue growth, earnings per share and profitability as well as competitive practices among our peer group.

Our executive compensation program is overseen and administered by the Compensation Committee, which is comprised entirely of independent directors as determined in accordance with various Nasdaq, SEC and Internal Revenue Code rules. The Compensation Committee operates under a written charter adopted by our Board. A copy of the charter is available at <http://www.digitalriver.com>.

**Compensation Consultant**

The Compensation Committee has the authority to engage its own independent advisors to assist it in carrying out its responsibility. In 2007, Frederic W. Cook & Co., Inc. ( Cook & Co. ) was retained by the Compensation Committee to assist with compensation analysis. In 2008, the Compensation Committee engaged Cook & Co. to continue to provide advice on compensation programs. During fiscal 2008, Cook & Co. advised the Compensation Committee on base salaries and annual and long-term incentives for our chief executive officer and chief financial officer. Cook & Co. reports to the Compensation Committee rather than to management, although Cook & Co. may meet with management from time-to-time for purposes of gathering information on proposals that management may make to the Compensation Committee. The Compensation Committee is free to replace Cook & Co. or hire additional consultants at any time. Cook & Co. does not provide any other services to us and receives compensation only with respect to the services provided to the Compensation Committee.

**Role of Executive Management in Compensation Decisions**

The Compensation Committee on occasion meets with our chief executive officer, Mr. Ronning, and/or other executives to obtain recommendations with respect to our compensation programs, practices and packages for executives, other employees and directors. Management makes recommendations to the Compensation Committee on the base salary, annual incentive targets and equity compensation for the executive team and other employees. The Compensation Committee considers, but is not bound to and does not always accept, management's recommendations

with respect to executive compensation.

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Mr. Ronning attends some of the Compensation Committee's meetings, but the Compensation Committee also regularly holds executive sessions not attended by any members of management or non-independent directors. The Compensation Committee discusses Mr. Ronning's compensation package with him, but makes decisions with respect to Mr. Ronning's compensation without him present. The Compensation Committee has the ultimate authority to make decisions with respect to the compensation of our named executive officers. The Compensation Committee has authorized Mr. Ronning to make salary adjustments and short-term incentive (bonus) decisions for all employees other than the named executive officers.

**Elements of Compensation**

There are three major elements that comprise our compensation program: (i) base salary; (ii) annual incentive opportunities; and (iii) long-term incentives, such as equity awards. We have selected these elements because each is considered useful and/or necessary to meet one or more of the principal objectives of our compensation policy. For instance, base salary and annual incentive targets are set with the goal of attracting employees and adequately compensating and rewarding them on a day-to-day basis for the time spent and the services they perform, while our equity programs are geared toward providing an incentive and reward for the achievement of long-term business objectives and retaining key talent. We believe that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the objectives of our compensation program.

The Compensation Committee reviews the compensation program on an annual basis, including each of the above elements, which are reviewed from time to time to ensure that compensation levels remain competitive. In setting compensation levels for a particular executive, the Compensation Committee takes into consideration the proposed compensation package as a whole and each element individually, as well as the executive's past and expected future contributions to our business. We have an employment or severance agreement with each of our named executive officers. The agreements for each of Messrs. Ronning, Donnelly and Crudden are discussed below under the section entitled "Employment and Change of Control Agreements."

**Key Considerations and Process**

In applying the program objectives and the elements of compensation, the Compensation Committee takes into account the following key considerations and adheres to the following processes:

*Competitive Market Assessment.* We conduct a competitive market assessment for each of the primary elements of our executive compensation program. In setting executive compensation levels, the Compensation Committee reviews market data from the following sources:

*Peer Group Information.* The Compensation Committee considers information from the proxy statements of 15 peer group public companies with revenues ranging from \$100 million to \$1 billion, with a median revenue of \$400 million. The peer group is composed primarily of internet-based companies. The following companies were included in our comparison peer group for our fiscal year 2008:

**Comparison Peer Group**

Akamai Technologies	Macrovision	SAVVIS
Ariba	MIVA	Syntel
GSI Commerce	RealNetworks	ValueClick
Imergent	RightNow Technologies, Inc.	VeriFone Holdings
InfoSpace	Salesforce.com, Inc.	Websense

*Aon-Radford Executive Survey.* This survey provides base salary and short-term and long-term incentive information on U.S. high-technology and manufacturing companies. The Compensation Committee considers benchmark information in this survey.

*Information from Cook & Co.* Our Compensation Committee also considers competitive market information provided by Cook & Co., an independent advisor retained by the Compensation Committee. In establishing compensation for fiscal 2009, Cook & Co. compiled and analyzed proxy



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data from the peer group and survey data from the Aon-Radford Executive Survey for our chief executive officer and our chief financial officer.

*Considerations for Mr. Ronning.* The Compensation Committee considers the following factors in setting the compensation arrangements for Mr. Ronning:

An annual assessment of his performance conducted by our Nominating and Corporate Governance Committee;

The financial and strategic results achieved by our company for the last fiscal year;

The financial plans and strategic objectives for the next fiscal year;

Other strategic factors critical to the long-term success of our business;

The competitive market data identified above; and

Guidance from the Compensation Committee's independent compensation consultant.

*Considerations for Other Named Executive Officers.* The Compensation Committee considers the following factors in setting the compensation arrangements for each of the other named executive officers.

Mr. Ronning's assessment of the named executive officer's individual performance and contributions to our performance for the most recent fiscal year;

Our business and financial performance for the most recent fiscal year;

The competitive market data identified above applicable to the specific position that the named executive officer holds; and

Mr. Ronning's recommendations regarding compensation levels for the other named executive officers.

*Review of Tally Sheets.* On an annual basis (with the most recent version covering 2008 presented in March 2009), management prepares and presents to the Committee tally sheets for each of the named executive officers to provide the Committee the following compensation data:

Base salary;

Short-term incentive compensation;

Long-term incentive compensation;

Value of in-the-money stock options, both vested and unvested; and

Value of restricted stock grants.

The Compensation Committee reviewed these tally sheets and compared tally sheets for the named executive officers with competitive market data for comparable executives in the peer group to establish compensation for fiscal 2009.

**Base Salary**

Base salary is the fixed portion of executive compensation targeted at the median level for technology companies with similar characteristics such as sales volume, capitalization and financial performance. Salaries for executive officers are reviewed by the Compensation Committee on an annual basis and may be changed based on the individual's performance or a change in competitive pay levels in the marketplace.

The Compensation Committee reviews with our chief executive officer an annual salary plan for our named executive officers (other than our chief executive officer). The salary plan is modified as deemed appropriate and approved by the Compensation Committee. The annual salary plan is developed by our chief executive officer based



on publicly available competitive compensation information on organizations with similar characteristics, such as size, scope of operations, revenue growth and business focus, and on performance judgments as to the past and expected future contributions of the individual executives. Additional factors include levels of responsibility, breadth of knowledge and expertise and prior experience. The Compensation Committee reviews and establishes the base salary of the chief executive officer based on similar competitive compensation data and the Compensation Committee's assessment of his past performance and its expectation as to his future contributions in directing our long-term success.

We pay a competitive base salary to help us attract and retain talented executives. The amount of annualized base salary and year-over-year increase for each of the named executive officers in fiscal 2008 is set forth in the following table:

**Table of Contents****Base Salary Table**

	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>
Joel A. Ronning	\$450,000	\$450,000
Thomas M. Donnelly	\$300,000	\$300,000
Kevin L. Crudden	\$235,000	\$250,000

Since February 2007, the base salaries for each of Messrs. Ronning and Donnelly have remained unchanged. In March 2008, Mr. Crudden received a base salary increase of 6.4% based upon an assessment of his performance and the competitiveness of his base salary utilizing peer group information as the principal benchmark.

In March 2009, upon recommendation of management, the Compensation Committee determined not to change the base salaries of the named executive officers identified in the Summary Compensation Table for fiscal 2009.

**Annual Incentive Opportunities**

In 2008, our stockholders approved the 2008 Performance Bonus Plan (the Performance Plan). The Performance Plan is a component of our overall strategy to pay our employees for delivering measurable results. The purposes of the Performance Plan are to motivate senior executives by tying compensation to performance, to reward exceptional performance that supports our overall objectives and to attract and retain top-performing senior executives.

In March 2008, the Compensation Committee established the corporate and personal performance goals as well as a bonus target for fiscal 2008. Those goals consisted of achievement of performance criteria relating to revenue, operating income, new market growth, employee satisfaction surveys, customer satisfaction surveys and internal systems enhancement. The fiscal 2008 weightings of the performance criteria were as follows: 30% revenue, 30% operating income, 10% new market growth, 10% employee satisfaction surveys, 10% customer satisfaction surveys and 10% internal systems enhancement.

Bonuses paid to our named executive officers under the Performance Plan for fiscal year 2008 were:

Named Executive Officer	Amount	Percentage of Bonus Potential
Joel A. Ronning	\$361,856	64%
Thomas M. Donnelly	\$192,990	64%
Kevin L. Crudden	\$80,412	64%

In March 2009, the Compensation Committee determined that bonuses should continue to be based upon optimizing revenues while maintaining prudent management of gross margins and operating expenses. The Compensation Committee believes these goals are the strongest drivers of our long-term value. In March 2009, the Compensation Committee established performance goals for 2009 for the named executive officers under the terms of the Performance Bonus Plan. For fiscal 2009, each named executive officer's cash bonus opportunity is based upon the achievement of performance criteria relating to revenue and operating income, new market growth, improvement in margins, operating efficiency and strategic acquisition activity. The fiscal 2009 weightings of the performance criteria are as follows: 50% corporate financial goals (revenue and operating income), 12.5% new market growth, 12.5% operating efficiency, 12.5% cost structure efficiencies and 12.5% completion of strategic acquisitions.

**Table of Contents****Long-Term Incentive Compensation**

Long-term equity incentives are provided through grants of stock options and restricted stock to executive officers and other employees pursuant to the terms and conditions of our stockholder-approved 2007 Plan. The stock component of compensation is intended to retain and motivate employees to grow long-term stockholder value. Initial grants of stock options are generally made to eligible employees upon commencement of employment. Following the initial hire, additional equity incentive grants may be made to participants pursuant to a periodic grant program or following a significant change in job responsibilities, scope or title. Stock options under the 2007 Plan generally vest over a four-year period and expire ten years from the date of grant. Stock options are granted at fair market value on the date of grant and have value only if our stock price increases. The Compensation Committee believes this element of the total compensation program directly links the executive's interests with those of our stockholders and our long-term performance.

The Compensation Committee establishes the number of shares subject to, and terms of, options and restricted stock awards granted under the 2007 Plan to the named executive officers. The Compensation Committee encourages executives to build an ownership investment in our common stock. Outstanding performance by an individual executive officer is recognized through larger equity grants.

As an integral component of its long-term strategic planning process, the Compensation Committee evaluates a number of factors impacting its employee compensation philosophy, including our stage of growth, competitive environment, business complexity and market opportunity. One of the key conclusions from this analysis is that Digital River continues to operate in a high-growth environment that is subject to rapid change, complexity and a multitude of business risks. To continue our record of success in this challenging environment, we believe that our compensation practices must remain competitive with practices of peer group companies with similar growth rates and long-term opportunities.

The Compensation Committee has granted equity awards at its scheduled meetings. Grants approved during scheduled meetings become effective and are priced as of the date of approval. Grants to new hires are approved by the Compensation Committee on the first trading day of the month after the month of hire and are priced as of the date of approval. Under the 2007 Plan, all stock option grants have a per share exercise price equal to the fair market value of our common stock on the grant date. The Compensation Committee has not granted, nor does it intend in the future to grant, equity compensation awards to executives in anticipation of the release of material non-public information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement. Similarly, the Compensation Committee has not timed, nor does it intend in the future to time, the release of material non-public information based on equity award grant dates. Equity compensation awards typically vest over a four-year period.

The Compensation Committee believes that our ability to attract, retain and motivate key executives is critical to achieving strategic goals, which in turn helps build long-term value. The number of options and restricted stock awards the Compensation Committee grants to each named executive officer and the vesting schedule for each grant is determined based on a variety of factors, including market data collected regarding the equity grant ranges for peer companies as well as the performance rating each executive is given by Mr. Ronning. Mr. Ronning assigns a performance rating to each member of the executive team that reports to him based on a number of factors, including the individual's accomplishments during the prior fiscal year and over the course of his or her service with us. These performance ratings are taken into consideration in the determination of equity grant proposals for the named executive officers which Mr. Ronning recommends to the Compensation Committee for consideration.

The Compensation Committee determined that the company did not meet the performance goals established in March 2008 and the performance shares granted to each of Messrs. Ronning, Donnelly and Crudden were forfeited in their entirety.

In March 2009, the Compensation Committee approved a grant of 180,000 performance-based shares to Mr. Ronning. In March 2009, the Compensation Committee approved a grant of 90,000 performance-based shares to Mr. Donnelly. In March 2009, the Compensation Committee approved a grant of 45,000 performance-based shares to Mr. Crudden. These grants were made based upon a review of equity grants to similarly situated executives in peer companies. Further, the performance-based shares require us to meet certain performance requirements in fiscal 2009

(revenue, operating income and earnings per share) and, upon achievement of those requirements, vest over four years commencing on the date of grant. If the performance goals for fiscal year 2009 are not attained, then the performance-based shares will either be forfeited or the number of performance-based shares will be adjusted downward in proportion to the goals achieved.

**Table of Contents****Retirement Benefits under the 401(k) Plan, Executive Perquisites and Generally Available Benefit Programs**

We maintain a tax-qualified 401(k) Plan, which provides for broad-based employee participation. Under the 401(k) Plan, all of our employees are eligible to receive matching contributions that are subject to vesting over time. The matching contribution for the 401(k) Plan year 2008 was \$0.50 for each dollar of each participant's pretax contributions. We do not provide defined benefit pension plans or defined contribution retirement plans to our named executive officers or other employees other than the 401(k) Plan.

We also offer a number of other benefits to the named executive officers pursuant to benefit programs that provide for broad-based employee participation. These benefits programs include the employee stock purchase plan, medical, dental and vision insurance, long-term and short-term disability insurance, life and accidental death and dismemberment insurance, health and dependent care flexible spending accounts, wellness programs, educational assistance, employee assistance and certain other benefits. Many employees also are eligible for variable pay under sales incentive plans, profit sharing programs and/or the incentive arrangements described above.

The 401(k) Plan and other generally available benefit programs allow us to remain competitive for employee talent, and we believe that the availability of the benefit programs generally enhances employee productivity and loyalty. The main objectives of our benefits programs are to give our employees access to quality healthcare, financial protection from unforeseen events, assistance in achieving retirement financial goals and enhanced health and productivity. These generally available benefits typically do not specifically factor into decisions regarding an individual executive's total compensation or equity award package.

On an annual basis, we benchmark our overall benefits programs, including our 401(k) Plan, against other comparable companies in the Twin Cities.

In connection with his employment arrangements, Mr. Ronning is entitled to a car allowance. In 2008, we paid \$14,625 in car allowances on behalf of Mr. Ronning. Messrs. Donnelly and Crudden did not receive any perquisites in fiscal 2008 other than matching contributions under the 401(k) Plan.

**Stock Ownership Guidelines**

The Board has not adopted stock ownership guidelines for its named executive officers but intends to consider establishing such guidelines.

**Compensation of Chief Executive Officer**

The compensation of Mr. Ronning, our chief executive officer, consists of all three of the above-described components. The Compensation Committee believes that the compensation awarded to Mr. Ronning should reflect our overall performance and, accordingly, for the year ended December 31, 2008, the Compensation Committee used a number of factors and criteria to determine Mr. Ronning's compensation, including our ability to maintain revenue growth, penetrate new markets, complete strategic acquisitions and manage operating expenses.

In March 2009, the Compensation Committee determined not to change Mr. Ronning's base salary of \$450,000. In relation to our peer group, Mr. Ronning's base salary is below the median for the chief executive officers.

Based upon our overall performance in 2008 as well as Mr. Ronning's leadership of our management team throughout the year, a bonus of \$361,856 was approved to Mr. Ronning in March 2009. In assessing this bonus, the Compensation Committee considered our financial performance in 2008 as well as the achievement of personal objectives by Mr. Ronning.

The Compensation Committee reviewed market data to determine whether to grant Mr. Ronning equity incentives. Based on Mr. Ronning's 2007 performance, in March 2008, the Compensation Committee determined to grant him an option to acquire 100,000 shares of our common stock and a performance-based stock grant of 25,000 shares. Since we did not meet the corporate performance criteria for fiscal 2008, Mr. Ronning forfeited the 25,000 performance shares in their entirety.

Mr. Ronning's compensation pursuant to his employment agreement, described in more detail below, consists of a base salary of \$450,000, which will remain his base salary for 2009. In 2008, Mr. Ronning's compensation also included a cash bonus of \$361,856 based on his and our performance, which was paid in March 2009. In addition, in March 2009, Mr. Ronning was granted 180,000 performance-based shares as part of his total compensation package. The performance-based shares require us to meet certain performance requirements in fiscal



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2009 and, upon achievement of those requirements, vest over four years commencing on the date of grant. If we do not meet the performance goals in fiscal 2009, these performance-based shares will either be forfeited or the number of performance-based shares will be adjusted downward in proportion to the goals achieved. The Compensation Committee may grant stock options, restricted stock, stock appreciation rights, or other equity incentives ( Equity Incentives ) to Mr. Ronning in the future.

**Severance and Change of Control Agreements**

*Severance Pay Arrangements.* We have an employment agreement with Mr. Ronning and a Severance and Change of Control Agreement with each of Messrs. Donnelly and Crudden that contain severance pay arrangements. The severance provisions of these agreements are designed to provide clarity with respect to the rights and obligations of the parties upon the termination of employment with us. The terms of these agreements are described below.

*Change in Control Arrangements.* If a change in control of our company were to occur, the Compensation Committee believes that it is in the best interests of stockholders to ensure the retention of key executives to facilitate an orderly transition. For this reason, the agreements with Messrs. Ronning, Donnelly and Crudden contain change in control provisions. These agreements reduce the risk of losing key management personnel that may occur during a critical period of a potential or actual change in control of our company. These provisions are separate from the severance provisions identified above but would not allow an executive to obtain duplicative severance benefits upon termination of employment.

The change in control provisions contain a double trigger severance provision, which means that, in order to receive severance benefits, an executive's employment must be terminated within a specified period following a change in control. The Compensation Committee believes that a double trigger design is more appropriate for severance benefits than the single trigger design as it prevents payments in the event of a change in control where the executive continues to be employed without an adverse effect on compensation, role and responsibility or job location. Additional details about these agreements are described below.

The levels of severance pay and benefits that would be provided under our severance pay arrangements and practices are competitive with the practices of other companies in our industry. Our Compensation Committee believes that they are important elements of a total compensation program to attract and retain senior executives. The peer group data also indicates that the other terms and conditions of our change in control severance pay plan are consistent with the design provisions and benefit levels of similar plans at other companies for which we compete for executive talent.

*Joel A. Ronning*

Effective as of February 28, 2007, we entered into an employment agreement with Joel A. Ronning, our chief executive officer, which superseded his prior employment agreement. The term of the employment agreement is two years with automatic one-year renewals if the agreement is not terminated prior to the end of the initial two year period (the Expiration Date ) (as extended in connection with any renewed term).

In the event of Mr. Ronning's termination by Digital River for any reason except upon his retirement, death or disability or for cause, and including, without limitation, our failure to renew his employment agreement, or upon Mr. Ronning's voluntary termination following failure to reappoint Mr. Ronning as our chief executive officer, a material change in his function, duties or responsibilities without his consent that would cause Mr. Ronning's position to become one of lesser responsibility, importance, or scope, relocation of Mr. Ronning's principal place of employment by more than thirty miles, or a material breach of his employment agreement, or upon Mr. Ronning's voluntary (as described above) or involuntary termination of employment following a change of control of Digital River, he will be entitled to termination payments equal to his base salary at the time of termination plus a weighted three-year average of his annual bonus amount, as well as a continuation of certain employee benefits for a period of 12 months. Mr. Ronning's cash severance is paid in one lump sum payment at least six months following his termination of employment, in accordance with Section 409A of the Internal Revenue Code. In addition, any unvested Equity Incentives held by Mr. Ronning will immediately vest and become exercisable and any unexercised stock options will remain exercisable for 12 months following his termination of employment (unless sooner terminated in connection with a change of control transaction). In the event of a change of control, such payments and benefits may be reduced if any payment or benefit would be subject to the excise tax imposed by Sections 280G or 4999 of the

Internal Revenue Code. Mr. Ronning also has agreed not to compete with Digital River in countries



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or territories where we conduct our business for a period of 12 months following his voluntary or involuntary termination as described above.

In the event of Mr. Ronning's death, we will award to his beneficiaries a pro-rated bonus, in an amount equal the Board's good faith estimate of the bonus Mr. Ronning would have earned in the year of his death; provided, however, that the good faith estimate of the bonus will be at least equal to the average of Mr. Ronning's bonuses for the three most recent years. In the event that we terminate Mr. Ronning following his permanent disability, we will continue to provide him with term life insurance and medical insurance benefits for a period of one year.

*Thomas M. Donnelly*

Effective as of March 4, 2008, we entered into an amended and restated change of control and severance agreement with Thomas M. Donnelly, our chief financial officer. In the event of Mr. Donnelly's termination by Digital River for any reason except upon his retirement, death or disability or for cause, or upon Mr. Donnelly's voluntary termination following a material change in his function, duties or responsibilities without his consent that would cause Mr. Donnelly's position to become one of lesser responsibility, importance, or scope, relocation of Mr. Donnelly's principal place of employment by more than thirty miles, or a material breach of his change of control and severance agreement, or upon Mr. Donnelly's voluntary (as described above) or involuntary termination of employment following a change of control of Digital River, he will be entitled to termination payments equal to his base salary at the time of termination, as well as a continuation of certain employee benefits for a period of 12 months. Mr. Donnelly's cash severance is paid in one lump sum payment at least six months following his termination of employment, in accordance with Section 409A of the Internal Revenue Code. In addition, any unvested Equity Incentives held by Mr. Donnelly will immediately vest and become exercisable and any unexercised stock options will remain exercisable for 90 days following his termination of employment (unless sooner terminated in connection with a change of control transaction). In the event of a change of control, such payments and benefits may be reduced if any payment or benefit would be subject to the excise tax imposed by Sections 280G or 4999 of the Internal Revenue Code. Mr. Donnelly also has agreed not to compete with Digital River in countries or territories where we conduct our business for a period of 12 months following his voluntary or involuntary termination as described above.

In the event of Mr. Donnelly's death, we will award to his beneficiaries a pro-rated bonus, in an amount equal the Board's good faith estimate of the bonus Mr. Donnelly would have earned in the year of his death; provided, however, that the good faith estimate of the bonus will be at least equal to the average of Mr. Donnelly's bonuses for the three most recent years. In the event that we terminate Mr. Donnelly following his permanent disability, we will continue to provide him with term life insurance and medical insurance benefits for a period of one year.

*Kevin L. Crudden*

Effective as of March 4, 2008, we entered into a change of control and severance agreement with Kevin L. Crudden, our vice president and general counsel. In the event of Mr. Crudden's termination by Digital River for any reason except upon his retirement, death or disability or for cause, or upon Mr. Crudden's voluntary termination following a material change in his function, duties or responsibilities without his consent that would cause Mr. Crudden's position to become one of lesser responsibility, importance, or scope, relocation of Mr. Crudden's principal place of employment by more than thirty miles, or a material breach of his change of control and severance agreement, or upon Mr. Crudden's voluntary (as described above) or involuntary termination of employment following a change of control of Digital River, he will be entitled to termination payments equal to his base salary at the time of termination, as well as a continuation of certain employee benefits for a period of 12 months. Mr. Crudden's cash severance is paid in one lump sum payment at least six months following his termination of employment, in accordance with Section 409A of the Internal Revenue Code. In addition, any unvested Equity Incentives held by Mr. Crudden will immediately vest and become exercisable and any unexercised stock options will remain exercisable for 90 days following his termination of employment (unless sooner terminated in connection with a change of control transaction). In the event of a change of control, such payments and benefits may be reduced if any payment or benefit would be subject to the excise tax imposed by Sections 280G or 4999 of the Internal Revenue Code. Mr. Crudden also has agreed not to compete with Digital River in countries or territories where we conduct our business for a period of 12 months following his voluntary or involuntary termination as described above.



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In the event of Mr. Crudden's death, we will award to his beneficiaries a pro-rated bonus, in an amount equal the Board's good faith estimate of the bonus Mr. Crudden would have earned in the year of his death; provided, however, that the good faith estimate of the bonus will be at least equal to the average of Mr. Crudden's bonuses for the three most recent years. In the event that we terminate Mr. Crudden following his permanent disability, we will continue to provide him with term life insurance and medical insurance benefits for a period of one year.

See the table on page 35 of this proxy statement for more information related to the severance benefits for each of Messrs. Ronning, Donnelly and Crudden.

**Accounting and Tax Considerations**

In designing its compensation programs, the Compensation Committee takes into consideration the accounting and tax effect that each element of compensation will or may have on us and the executive officers and other employees as a group. We recognize a charge to earnings for financial accounting purposes when either stock options or restricted stock awards are granted.

Digital River is limited by Section 162(m) of the Code to a deduction for federal income tax purposes of up to \$1,000,000 of compensation paid to certain named executive officers in a taxable year. Compensation above \$1,000,000 may be deducted if it meets certain technical requirements to be classified as performance-based compensation. Although the Compensation Committee uses the requirements of Section 162(m) as a guideline, deductibility is not the sole factor it considers in assessing the appropriate levels and types of executive compensation and it will elect to forego deductibility when the Compensation Committee believes it to be in our best interests and the best interests of our stockholders.

The Compensation Committee believes that the compensation programs described above provide compensation that is competitive with our peer group, link executive and stockholder interests, and provide the basis for us to attract and retain qualified executives. The Compensation Committee will continue to monitor the relationship among executive compensation, our performance and stockholder value as a basis for determining our ongoing compensation policies and practices.

**Compensation Committee Interlocks and Insider Participation**

During fiscal year 2008, the Compensation Committee was composed of three non-employee directors: Messrs. Lansing, Madison and Seegal. No current member of the Compensation Committee is or has ever been one of our officers or employees, or has had any relationship with us that is required to be disclosed under Item 404 of Regulation S-K. None of our executive officers serves, or in the past fiscal year has served, on the board of directors or as a member of a compensation committee of any entity that has or has had one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

**Compensation Committee Report**

*The information contained in this report shall not be deemed to be soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for fiscal year 2008. Based on the review and discussions, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in our proxy statement for our 2009 Annual Meeting of stockholders.

This report is submitted by the Compensation Committee.

**Compensation Committee**  
William J. Lansing, Chairman  
Thomas F. Madison  
Frederic M. Seegal

**Table of Contents****Summary of Compensation**

The following table shows for the fiscal year ended December 31, 2008, compensation awarded or paid to, or earned by, our principal executive officer, principal financial officer and vice president and general counsel (the named executive officers ). We did not have any other executive officers in 2008.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$) (1)	Stock Awards (\$) (2)	Option Awards (\$) (3)	Non-Equity Incentive Compensation		Total (\$)
						Plan (\$) (4)	All Other Compensation (\$) (5)	
Joel A. Ronning Chief Executive Officer	2008	\$450,000		\$346,852	\$2,021,558	\$361,856	\$22,375 (4)	\$3,202,641
	2007	\$411,538	\$ 500,000	\$289,579	\$2,453,294		\$35,685 (5)	\$3,690,096
	2006	\$250,000	\$1,250,000		\$2,187,447		\$35,435 (6)	\$3,722,882
Thomas M. Donnelly Chief Financial Officer	2008	\$300,000		\$365,259	\$1,020,239	\$192,990	\$ 7,750 (7)	\$1,886,238
	2007	\$288,461	\$ 200,000	\$319,436	\$ 848,410		\$ 7,750 (7)	\$1,663,807
	2006	\$250,000	\$ 250,000	\$ 77,944	\$ 476,867		\$ 7,500 (8)	\$1,062,313
Kevin L. Crudden Vice President & General Counsel (9)	2008	\$245,961	\$ 10,000	\$ 63,883	\$ 188,616	\$ 80,412	\$ 7,750 (7)	\$ 596,622
	2007	\$231,538	\$ 78,750	\$ 60,560	\$ 162,392		\$ 7,750 (7)	\$ 540,740

(1) The amounts in this column are the 2008, 2007 and 2006 discretionary bonuses paid in March 2009, 2008 and 2007, respectively, based on the executive's and Digital River's performance in that fiscal year.

(2) The amounts in the Stock Awards column reflect the dollar amounts recognized for financial statement reporting

purposes for the 2008, 2007 and 2006 fiscal years, in accordance with SFAS 123(R), for restricted stock awards. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For restricted stock, the fair value is calculated using the closing price of Digital River stock on the date of grant.

- (3) The amounts in the Option Awards column reflect the dollar amounts recognized for financial statement reporting purposes for the 2008, 2007 and 2006 fiscal years, in accordance with SFAS 123(R), for option awards. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures

related to service-based vesting conditions. For additional information on the valuation assumptions for the stock option grants, refer to note 5, Stock-Based Compensation, in the Digital River, Inc. financial statements in the Form 10-K for the year ended December 31, 2008, as filed with the SEC.

- (4) This amount consists of
  - (a) Digital River's matching contribution of \$7,750 under our tax qualified 401(k) Plan and
  - (b) \$14,625 in Company car expense, which we paid on Mr. Ronning's behalf.
  
- (5) This amount consists of
  - (a) Digital River's matching contribution of \$7,750 under our tax qualified 401(k) Plan, (b) \$16,785 in Company car expense, which we paid on

Mr. Ronning's  
behalf and (c)  
\$11,150 in life  
insurance  
premiums.

(6) This amount  
consists of  
(a) Digital  
River's matching  
contribution of  
\$7,500 under  
our tax qualified  
401(k) Plan, (b)  
\$16,785 in  
Company car  
expense, which  
we paid on  
Mr. Ronning's  
behalf and (c)  
\$11,150 in life  
insurance  
premiums.

(7) This amount is  
Digital River's  
matching  
contribution of  
\$7,750 under  
our tax qualified  
401(k) Plan.

(8) This amount is  
Digital River's  
matching  
contribution of  
\$7,500 under  
our tax qualified  
401(k) Plan.

(9) Mr. Crudden  
became an  
executive  
officer of  
Digital River in  
2007.  
Accordingly,  
compensation  
information is  
presented for  
2007 and 2008.





**Table of Contents****Grants Of Plan-Based Awards**

The following table shows all plan-based awards granted to the named executive officers during fiscal year 2008. The option awards and the unvested portion of the stock awards identified in the table below are also reported in the Outstanding Equity Awards at Fiscal Year-End Table on the following page.

**Grants of Plan-Based Awards  
For Fiscal Year 2008**

Name	Grant Date	All Other Stock Awards: Number of Shares or Units (#) (1)	All Other Option Awards:	Exercise or Base Price of	Grant Date Fair
			Number of Securities Underlying Options (#) (2)	Option Awards (\$/share) (3)	Value of Stock and Option Awards (\$) (4)
Joel A. Ronning	3/4/2008		100,000	\$ 31.84	\$ 1,369,160
	3/4/2008	25,000			\$ 796,000
Thomas M. Donnelly	3/4/2008		45,000	\$ 31.84	\$ 480,263
	3/4/2008	22,500			\$ 716,400
Kevin L. Crudden	3/4/2008		10,000	\$ 31.84	\$ 106,725
	3/4/2008	8,000			\$ 254,720

(1) This column shows the number of restricted shares granted in 2008 to the named executive officers. The shares vest annually over four years starting on March 4, 2009. These restricted shares were performance-based. Since the Company did not meet the performance thresholds for 2008, these shares were forfeited in their entirety for each of the named executive officers in this table.

(2)

This column shows the number of stock options granted in 2008 to the named executive officers. The options vest 6.25% quarterly starting June 4, 2008.

- (3) This column shows the exercise price for the stock options granted in 2008, which was the closing price of Digital River stock on March 4, 2008, the date the options were granted.
- (4) This column shows the full grant date fair value of restricted stock and stock options under SFAS 123R granted to the named executives in 2008. For restricted stock, fair value is calculated using the closing price of Digital River stock on the grant date of \$31.84. For stock options, fair value is calculated using the Black-Scholes value on the grant date of \$13.69 for Mr. Ronning and \$10.67 for Messrs. Donnelly and Crudden. For additional information on the valuation assumptions, refer to note 5 of the Digital River

financial statements  
in the Form 10-K  
for the year ended  
December 31, 2008,  
as filed with the  
SEC. These  
amounts reflect our  
accounting expense,  
and do not  
correspond to the  
actual value that  
will be recognized  
by the named  
executive officers.

For a discussion of the element of pay in this table see the Compensation Discussion and Analysis section starting on page 26 of this proxy statement.

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**Outstanding Equity Awards**

The following table provides a summary of equity awards outstanding at December 31, 2008, for each of our named executive officers.

**2008 Outstanding Equity Awards at Year End**

<b>Option Awards</b>	<b>Stock Awards</b>	<b>Equity Incentive Plan</b>
<b>Equity</b>	<b>Equity</b>	<b>Equity Incentive Plan</b>
<b>Incentive Plan</b>	<b>Incentive Plan</b>	<b>Awards:</b>
<b>Awards:</b>	<b>Awards:</b>	<b>Market or</b>