

SECURITIES AND EXCHANGE COMMISSION

FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2004-12-10** | Period of Report: **2004-12-09**

SEC Accession No. [0001226182-04-000063](#)

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ISSUER

DITECH COMMUNICATIONS CORP

CIK: **1080667** | IRS No.: **942935531** | State of Incorporation: **DE** | Fiscal Year End: **0430**
SIC: **3661** Telephone & telegraph apparatus

Mailing Address
825 E MIDDLEFIELD RD
MOUNTAIN VIEW CA 94043

Business Address
825 E MIDDLEFIELD RD
MOUNTAIN VIEW CA 94043
6506231300

REPORTING OWNER

GRADY JAMES H

CIK: **1265771** | State of Incorporation: **DE** | Fiscal Year End: **0430**
Type: **4** | Act: **34** | File No.: **000-26209** | Film No.: **041197541**

Mailing Address
825 E. MIDDLEFIELD ROAD
MOUNTAIN VIEW CA 94043

FORM 4**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**

Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
 Expires: 02/28/2011
 Estimated average burden
 hours per response 0.5

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 subject to Section 16. Form 4 or
 Form 5 obligations may continue.
 See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL
OWNERSHIP**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of
 the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment
 Company Act of 1940

1. Name and Address of Reporting Person GRADY JAMES H			2. Issuer Name and Ticker or Trading Symbol DITECH COMMUNICATIONS CORP [DITC]			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) _____ Director _____ 10% Owner <input checked="" type="checkbox"/> Officer (give title below) _____ Other (specify below) VP, Worldwide Sales		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 12/09/2004					
825 EAST MIDDLEFIELD ROAD								
(Street) MOUNTAIN VIEW, CA 94043			4. If Amendment, Date Original Filed(Month/Day/Year)			6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person _____ Form Filed by More than One Reporting Person		
(City)	(State)	(Zip)						

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/30/2004 ⁽¹⁾		<u>I</u>		8	A	\$13.396	8	D	
Common Stock	12/09/2004		<u>M</u>		2,500	A	\$8.76	2,508	D	
Common Stock	12/09/2004 ⁽²⁾		<u>S</u>		2,500	D	\$16.83	8	D	

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Non-Qualified Stock Option (right to buy)	\$8.76	12/09/2004		<u>M</u>			2,500	09/30/2003 ⁽³⁾	09/30/2013	Common Stock	2,500	\$ 0	222,500	D	

Explanation of Responses:

1. Shares acquired under Ditech's 1999 Employee Stock Purchase Plan.
2. Securities sold pursuant to a 10b5-1 plan that enables an insider to establish a program to make transactions according to an advance plan. Such a program allows an insider to continue with planned transactions even if he or she comes into possession of material non-public information.
3. The option is immediately exercisable, subject to a repurchase option in favor of the Company which lapses over a four year period with 25% lapsing after the first year and monthly thereafter.

Signatures

By: Kimberly R. Canigiula For: James H. Grady

12/09/2004

** Signature of Reporting Person

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.