

LANTRONIX INC  
Form DEF 14A  
October 11, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**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

**LANTRONIX, 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.

Edgar Filing: LANTRONIX INC - Form DEF 14A

Fee computed on table below per Exchange Act Rules 14a-6(i) 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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**7535 Irvine Center Drive, Suite 100**

**Irvine, California 92618**

**[www.lantronix.com](http://www.lantronix.com)**

October 11, 2017

Dear Fellow Stockholder:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Lantronix, Inc., a Delaware corporation, which will be held at our corporate headquarters located at 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, on November 14, 2017, at 9:00 a.m. Pacific standard time.

Details of the business to be conducted at the annual meeting are included in the attached Notice of 2017 Annual Meeting of Stockholders and Proxy Statement.

It is important that your shares be represented at the annual meeting and voted in accordance with your wishes. Whether or not you plan to attend the meeting, we urge you to complete a proxy as promptly as possible so that your shares will be voted at the meeting. This will not limit your right to vote in person or to attend the meeting.

We look forward to seeing you at the upcoming annual meeting.

Sincerely,

Bernhard Bruscha  
*Chairman of the Board*



**LANTRONIX, INC.**

**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON NOVEMBER 14, 2017**

The 2017 Annual Meeting of Stockholders for Lantronix, Inc., a Delaware corporation, will be held at our corporate headquarters located at 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, on Wednesday, November 14, 2017, at 9:00 a.m. Pacific standard time, for the following purposes:

1. To elect six (6) directors to the board of directors, each to serve until our next annual meeting of stockholders and until a successor is duly elected and qualified, or until the director's earlier resignation or removal;
2. To ratify the appointment of Squar Milner LLP as our independent registered public accountants for the fiscal year ending June 30, 2018;
3. To approve, on a non-binding advisory basis, the compensation paid to our named executive officers as described in the proxy statement accompanying this notice;
4. To approve an amendment to our Amended and Restated 2010 Stock Incentive Plan to increase the number of shares of common stock reserved for issuance under the plan by 2,000,000 shares; and
5. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The foregoing proposals are more fully described in the proxy statement accompanying this notice. Stockholders of record who owned our common stock at the close of business on September 22, 2017 are entitled to attend and vote at the annual meeting.

The board of directors recommends that you vote your shares "FOR" each of the director nominees and "FOR" Proposals 2 through 4.

**Your vote is very important. Whether or not you expect to attend the annual meeting, please complete, date, sign and return the enclosed proxy card or submit your proxy through the Internet or by telephone as promptly as possible in order to ensure your shares are represented at the annual meeting. Even if you have voted by proxy, you may still vote in person at the annual 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 annual meeting, you must obtain a proxy issued in your name from that record holder.**

By Order of the Board of Directors,

Irvine, California Kurt E. Scheuerman

October 11, 2017 *Vice President, General Counsel and Corporate Secretary*

**LANTRONIX, INC.**

**PROXY STATEMENT FOR THE  
2017 ANNUAL MEETING OF STOCKHOLDERS**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Important Notice Regarding the Availability of Proxy Materials</u>	1
<u>General Information About the Annual Meeting and Voting</u>	1
<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	7
<u>Corporate Governance and Board Matters</u>	9
<u>Proposal 1 – Election of Directors</u>	15
<u>Proposal 2 – Ratification of Appointment of Independent Registered Public Accountants</u>	17
<u>Proposal 3 – Advisory Approval of Compensation for Named Executive Officers</u>	19
<u>Proposal 4 – Approval of Amendment to 2010 Amended &amp; Restated Stock Incentive Plan</u>	20
<u>Executive Compensation</u>	25
<u>Report of the Audit Committee of the Board of Directors</u>	38
<u>Other Information</u>	39
<u>Appendix A – Amendment to Lantronix, Inc. 2010 Amended and Restated Stock Incentive Plan</u>	A-1





**PROXY STATEMENT FOR THE  
2017 ANNUAL MEETING OF STOCKHOLDERS**

We cordially invite you to attend the 2017 Annual Meeting of Stockholders (the “Annual Meeting”) for Lantronix, Inc. (sometimes referred to as, the “Company,” “we,” “us,” or “our”). The Annual Meeting will be held at 9:00 a.m. Pacific standard time on November 14, 2017, at the Company’s corporate headquarters, located at 7535 Irvine Center Drive, Suite 100, Irvine, California 92618.

This proxy statement is being furnished by and on behalf of our board of directors (the “Board”) in connection with the solicitation of proxies to be voted at the Annual Meeting. This proxy statement describes issues on which the Company is asking you, as a stockholder, to vote and provides information that will allow you to make an informed voting decision.

The approximate date on which this proxy statement and the enclosed form of proxy are first being sent or given to stockholders is October 11, 2017.

References in this proxy statement to fiscal years refer to the fiscal year ended June 30 of the referenced year. For example, “fiscal 2016” refers to the fiscal year ended June 30, 2016, “fiscal 2017” refers to the fiscal year ended June 30, 2017, and “fiscal 2018” refers to the fiscal year ending June 30, 2018.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

This proxy statement and our Annual Report on Form 10-K for fiscal year 2017 are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com)

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

*The following questions and answers are intended to briefly address potential questions regarding this proxy statement and the Annual Meeting. They are also intended to provide our stockholders with certain information that is required to be provided under the rules and regulations of the Securities and Exchange Commission (the "SEC"). These questions and answers may not address all of the questions that are important to you as a stockholder. If you have additional questions about the proxy statement or the Annual Meeting, please contact our Corporate Secretary using the contact information provided in this proxy statement.*

**When and where will the Annual Meeting be held?**

The date, time and place of the Annual Meeting are:

November 14, 2017

9:00 a.m. Pacific standard time  
Lantronix, Inc. Corporate Headquarters  
7535 Irvine Center Drive, Suite 100

Irvine, California 92618

**Who can vote?**

You are entitled to vote your shares of common stock if you were the owner of the shares as of the close of business on September 22, 2017 (the "Record Date"). As of the Record Date, there were a total of 17,917,892 shares of our common stock outstanding and entitled to vote at the Annual Meeting. You are entitled to one vote for each share of common stock that you own.

**What matters will be voted upon at the Annual Meeting?**

The only matters we currently expect will be voted on at the Annual Meeting are the following proposals, which are described in this proxy statement:

1. the election of six directors to the Board;
2. the ratification of the appointment of Squar Milner LLP as our independent registered public accountants for the fiscal year ending June 30, 2018;
3. a non-binding, advisory vote on the compensation paid to our named executive officers as described in this proxy statement; and
4. the approval of an amendment to our Amended and Restated 2010 Stock Incentive Plan to increase the number of shares of common stock reserved for issuance under the plan by 2,000,000 shares.

**What if other matters come up at the Annual Meeting?**

If other matters are properly presented at the Annual Meeting, the proxies designated in the proxy cards will vote your shares in their discretion.

**How many shares must be present to convene the Annual Meeting?**

We will convene the Annual Meeting if stockholders representing the required quorum of shares of common stock entitled to vote either sign and return their proxy cards, authorize a proxy to vote through the Internet or by telephone, or attend the meeting in person. A majority of the shares of common stock entitled to vote at the meeting present in person or by proxy will constitute a quorum. If you sign and return your proxy card or authorize a proxy to vote through the Internet or by telephone, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote as indicated in the proxy materials.

**How are broker non-votes treated?**

Broker non-votes (which occur when a brokerage firm has not received voting instructions from the beneficial owner of the shares on a “non-routine” matter, as defined by the New York Stock Exchange (the “NYSE”)), as well as abstentions, will be considered present for the purpose of determining whether we have a quorum at the Annual Meeting. In addition, brokerage firms have the authority under NYSE rules to cast votes on certain “routine” matters even if they do not receive instructions from the beneficial owner of the shares. Proposal 2 relating to the ratification of the appointment of our independent registered public accountants is considered a “routine” matter for which brokerage firms may vote shares for which they did not receive instructions from beneficial owners. Accordingly, your shares may be voted on Proposal 2 if they are held in the name of a brokerage firm even if you do not provide the brokerage firm with voting instructions. Proposals 1, 3 and 4 are considered “non-routine” matters and therefore, if you do not provide voting instructions to your brokerage firm as described below, no vote for your shares will be cast with respect to these proposals and a broker non-vote will result for these shares.

**What vote is required to elect a director?**

For Proposal 1, you may vote “FOR” each director nominee or you may “WITHHOLD AUTHORITY” with respect to a director nominee’s election. A director nominee must receive the affirmative vote of a majority of the votes cast with respect to that nominee to be elected. In other words, the number of shares voted “FOR” a director nominee must exceed the number of votes cast as “WITHHOLD AUTHORITY” with respect to that nominee’s election. For purposes of the election of directors, abstentions and broker non-votes, if any, will be excluded from the vote and will not be counted in determining the outcome of a director’s election.

**What happens if a majority of the votes cast are not voted in favor of a director nominee?**

Pursuant to the procedures established by the Corporate Governance and Nominating Committee of the Board, each incumbent director has submitted to the Chairman of the Corporate Governance and Nominating Committee in writing such director’s irrevocable resignation which will be effective upon (1) the failure of such director to receive the required vote at any annual or special meeting at which such director is nominated for re-election and (2) Board acceptance of the resignation. If a nominee fails to receive a majority of the votes cast in the director election, the Corporate Governance and Nominating Committee will make a recommendation to the Board whether to accept or reject the director’s resignation and whether any other action should be taken. If a director’s resignation is not accepted, that director will continue to serve until our next annual meeting of stockholders and his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. If the Board accepts the director’s resignation, it may, in its sole discretion, either fill the resulting vacancy or decrease the size of the Board to eliminate the vacancy.



### **What is the required vote for approval of Proposals 2, 3 and 4?**

For each of Proposals 2, 3 and 4 you may vote “FOR” or “AGAINST,” or abstain from voting. Approval of Proposals 2, 3 and 4 will require the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. For purposes of Proposals 2, 3 and 4, abstentions will be treated as shares present in person or represented by proxy and entitled to vote at the Annual Meeting, so abstaining has the same effect as voting against the proposal, and broker non-votes, if any, will not be counted in determining the outcome of the proposal.

### **How do I vote?**

The procedures for voting are described below, based upon your form of ownership.

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record as of the Record Date, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive.

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy using the enclosed proxy card, through the Internet or by telephone. The procedures for voting by proxy are as follows:

To vote by proxy using the enclosed proxy card, complete, sign and date your proxy card and return it promptly. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience if you choose to submit your proxy by mail.

To vote by proxy through the Internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions provided. Please have your proxy card in hand when accessing the website, as it contains a 12-digit control number required to vote.

To vote by proxy over the telephone, dial the toll-free phone number listed on your proxy card under the heading “Vote by Phone” (1-800-690-6903) using a touch-tone phone and follow the recorded instructions. Please have your proxy card in hand when calling, as it contains a 12-digit control number required to vote.

You can authorize a proxy to vote through the Internet or by telephone at any time prior to 11:59 p.m. Eastern time on November 13, 2017, the day before the Annual Meeting.

We provide Internet and telephone proxy voting with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet and telephone access, such as usage charges from Internet access providers and telephone companies.

*Beneficial Owner: Shares Registered in the Name of Your Broker, Bank or Other Nominee*

If you are a beneficial owner of shares registered in the name of your broker, bank or other nominee, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. To ensure that your vote is counted, please follow the instructions provided by your broker, bank or other nominee. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other nominee in whose name the shares are registered.

**How does the Board recommend that I vote?**

The Board recommends that you vote your shares “FOR” each of the nominees for election to the Board, and “FOR” Proposals 2, 3 and 4.

**Can I change my vote after I submit my proxy?**

Yes. At any time before the vote on a proposal, you can change your vote by:

executing or authorizing, dating and delivering to us a new proxy through the Internet, by telephone or mail prior to the Annual Meeting;

giving us a written notice revoking your proxy card; or

attending the Annual Meeting and voting your shares in person.

Your attendance at the Annual Meeting will not, by itself, revoke a proxy previously given by you. We will honor the proxy card or authorization with the latest date.

You may send your proxy revocation notice to Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, Attention: Corporate Secretary.

If you have instructed your nominee to vote your shares, you must follow directions received from your nominee to change those instructions.

**Can I vote in person at the Annual Meeting rather than by authorizing a proxy holder?**

Yes. Although we encourage you to complete and return a proxy card or authorize a proxy holder to vote through the Internet or by telephone to ensure that your vote is counted, you can attend the Annual Meeting and vote your shares



in person even if you have submitted a proxy card or authorized a proxy holder to vote through the Internet or by telephone.

**How will my shares be voted?**

Any proxy that you submit and that is not revoked will be voted as you direct. If you are a stockholder of record and you indicate when voting through the Internet or by telephone that you wish to vote as recommended by our Board, or if you sign and return a proxy card without giving specific voting instructions, then the persons designated as proxy holders in the accompanying proxy card(s) will vote:

“FOR” the election of all of the nominees for director;

“FOR” the proposal to ratify the appointment of Squar Milner LLP as our independent registered public accountants for the fiscal year ending June 30, 2018;

“FOR” the approval, on a non-binding, advisory basis, of the compensation paid to our named executive officers as described in this proxy statement; and

“FOR” the approval of an amendment to our Amended and Restated 2010 Stock Incentive Plan to increase the number of shares of common stock reserved for issuance under the plan by 2,000,000 shares.

If you are a beneficial owner of shares of our common stock and your bank, broker or other nominee does not receive instructions from you about how your shares are to be voted, then your nominee will have the discretion to vote your shares on the “routine” matters being considered at the Annual Meeting, but will not be able to vote your shares on the “non-routine” matters being considered at the Annual Meeting, meaning that broker non-votes will result for these matters. Please see the heading “How are broker non-votes treated?” above for additional information.

In the event any director nominee declines or is unable to serve as a director at the time of the Annual Meeting (which is not anticipated), the persons named in the enclosed proxy card(s) will vote for the election of such person or persons as may be designated by the present Board. As to any other business or matters which might otherwise properly come before the Annual Meeting, the proxy holders will vote in accordance with their best judgment. We do not presently know of any such other business.

**I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

If you share an address with another stockholder, you will receive only one set of proxy materials unless you have provided instructions to the contrary. If you wish to receive a separate set of proxy materials now, please send your request to: Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, Attention: Corporate Secretary, or contact our Corporate Secretary by phone at (949) 453-3990. A separate set of proxy materials will be sent promptly following receipt of your request. You may also contact us if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

**How can I get electronic access to the proxy materials?**

The notice of annual meeting, this proxy statement and our Annual Report on Form 10-K for the fiscal year ended June 30, 2017, are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com).

**Who will count the votes?**

The inspector of election for the Annual Meeting, who is appointed by the Board, will count the votes.

**What is the deadline to propose actions for consideration at next year's annual meeting of stockholders?**

*Stockholder Proposals Under Rule 14a-8.* In order for a stockholder proposal to be eligible for inclusion in our proxy statement under SEC rules for the 2018 annual meeting of stockholders, the written proposal must be received by our Corporate Secretary at our offices no later than the close of business on June 13, 2018, and must comply with the requirements of Rule 14a-8 established by the SEC. Proposals should be addressed to: Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, Attention: Corporate Secretary.

*Stockholder Proposals Under the Company's Amended and Restated Bylaws.* Currently, our Amended and Restated Bylaws (the "Bylaws") provide that, in order for a stockholder proposal to be submitted at the 2018 annual meeting of stockholders, including nominations for candidates for election as directors, written notice to our Corporate Secretary of such proposal must be received at our executive offices:

· not earlier than July 17, 2018; and

· not later than August 16, 2018.

If the date of the 2018 annual meeting of stockholders is moved more than 30 days before or 70 days after the first anniversary of the Annual Meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement under Rule 14a-8 must be received no earlier than the close of business 120 days prior to the meeting and not later than the close of business on the later of the following two dates:

· 70 days prior to the meeting; and

· 10 days after public announcement of the meeting date.

The stockholder proposal submission requirements set forth in our Bylaws are independent of, and in addition to, the notice requirements under Rule 14a-8, as discussed above, for inclusion of a stockholder proposal in our proxy materials.

Our Bylaws require that a stockholder must provide certain information concerning the proposing person, the nominee and the proposal, as applicable. Nominations and proposals not meeting the requirements set forth in our Bylaws will not be entertained at the 2018 annual meeting of stockholders. Stockholders should contact the Corporate Secretary in writing at 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, to obtain additional information as to the proper form and content of stockholder nominations or proposals.

**Who pays for this proxy solicitation?**

We do. In addition to sending you these proxy materials, some of our employees may contact you by mail, telephone, facsimile, email or personal solicitation. None of these employees will receive any extra compensation for doing this. We will, at our expense, request brokers and other custodians, nominees, and fiduciaries to forward proxy soliciting material to the beneficial owners of shares held of record by such persons.

**Where can I find voting results of the Annual Meeting?**

We will announce preliminary voting results with respect to each proposal at the Annual Meeting. In accordance with SEC rules, final voting results will be published in a Current Report on Form 8-K within four business days following the Annual Meeting, unless final results are not known at that time, in which case preliminary voting results will be published within four business days of the Annual Meeting and final voting results will be published once they are known by us.



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL****OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information with respect to beneficial ownership of our common stock as of October 2, 2017, by: (1) each stockholder known by us to be the beneficial owner of more than 5% of our common stock based on filings pursuant to Section 13 or Section 16 of the Securities Exchange Act of 1934 (“Exchange Act”); (2) each of our current directors and nominees for director; (3) each of the executive officers set forth in the Summary Compensation Table below; and (4) all current directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Except as otherwise indicated in the footnotes to the table, and subject to community property laws, where applicable, we believe the persons and entities identified in the table below have sole voting and investment power with respect to all shares beneficially owned. The number of shares of common stock outstanding used in calculating the percentage for each listed person includes shares of common stock underlying options or warrants held by such person that are exercisable within 60 calendar days of October 2, 2017, but excludes shares of common stock underlying options or warrants held by any other person.

Beneficial Owner Name and Address (1)	Beneficial Ownership Number of Shares Owned	Right to Acquire (2)	Total	Percentage Ownership
<b>Greater than 5% Stockholders:</b>				
TL Investment GmbH (3) Biesingerstrasse 27 Tübingen, D-72072 Germany	6,120,880	–	6,120,880	34.2%
Hale Capital Partners, LP (4) 17 State Street, Suite 3230 New York, NY 10004	1,941,748	–	1,941,748	10.8%
<b>Directors and Named Executive Officers:</b>				
Jeffrey Benck, President, Chief Executive Officer and Director	181,078	84,375	265,453	1.5%
Bernhard Bruscha, Chairman of the Board (5)	6,120,880	236,992	6,357,872	35.0%
Bruce C. Edwards, Director	105,000	55,000	160,000	*
Paul F. Folino, Director	120,968	89,895	210,863	1.2%
Martin Hale, Jr., Director (6)	1,941,748	35,890	1,977,638	11.0%
Hoshi Printer, Director	42,090	158,750	200,840	1.1%
Jeremy R. Whitaker, Chief Financial Officer	112,119	217,708	329,827	1.8%
Daryl Miller, Vice President of Engineering	28,627	214,543	243,170	1.3%
All current executive officers and directors as a group (12 persons)	8,707,416	1,424,258	10,131,674	52.4%

\* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

(1) Unless otherwise indicated, the address of each beneficial owner listed is c/o Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, California 92618.

(2) Represents shares of common stock issuable upon exercise of stock options or upon vesting of restricted stock units ("RSUs") within 60 days of October 2, 2017.

Based upon information contained in a Form 4 filed by TL Investment GmbH with the SEC on March 9, 2016.

(3) According to the Form 4, Mr. Bruscha is the managing director of TL Investment GmbH and has sole voting and investment power with respect to these shares.

(4) Based upon information contained in a Schedule 13D filed jointly by Hale Capital Partners, LP and Martin Hale, Jr. with the SEC on June 24, 2016.

(5) Includes an aggregate of 6,120,880 shares held by TL Investment GmbH, of which Mr. Bruscha is the managing director.

Includes an aggregate of 1,941,748 shares held by Hale Capital Partners, LP, of which Mr. Hale is the Chief

(6) Executive Officer. Mr. Hale holds the stock options granted to him, and any shares of common stock issuable upon exercise thereof, for the benefit of Hale Capital Partners, LP.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our outstanding shares of common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by SEC regulations to furnish us with copies of all ownership forms they file pursuant to Section 16(a).

Based solely on a review of the reports that were filed and upon written representations from our directors, executive officers and stockholders that such reports accurately reflect all reportable transactions and holdings, we believe that all forms required to be filed pursuant to Section 16(a) during fiscal 2017 were filed on a timely basis.

### Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of the end of fiscal 2017:

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	3,785,195 (1)	1.83	2,364,233 (3)
Equity compensation plans not approved by security holders	698,340 (2)	1.39	–
Total	4,483,535	1.78	2,364,233

(1)



Edgar Filing: LANTRONIX INC - Form DEF 14A

The number of securities to be issued includes shares subject to outstanding stock options and RSUs under the Lantronix, Inc. 2000 Stock Incentive Plan (the “2000 Plan”) and the Lantronix, Inc. Amended and Restated 2010 Stock Incentive Plan (the “2010 Plan”).

Represents (1) 3,340 shares subject to outstanding stock options under the Lantronix, Inc. 2010 Inducement Equity Incentive Plan; (2) 225,000 inducement RSUs issued to Jeffrey Benck in connection with the commencement of (2) his employment as President and Chief Executive Officer; and (3) an aggregate of 470,000 shares subject to inducement stock options granted to Sanjeev Datla, our Chief Technology Officer, Kevin Yoder, our Vice President of Worldwide Sales and Shahram Mehraban, our Vice President of Marketing.

The number of securities remaining available for future issuance includes (1) 1,888,233 shares available for future issuance under the 2010 Plan; and (2) 476,000 shares reserved for future issuance under the Lantronix, Inc. 2013 (3) Employee Stock Purchase Plan. Options outstanding under the 2000 Plan and the 2010 Plan that expire without having been exercised in full, or are otherwise forfeited to the Company, will be added to the share reserve of the 2010 Plan.

## **CORPORATE GOVERNANCE AND BOARD MATTERS**

The Board has established Corporate Governance Guidelines that it follows in matters of corporate governance, which are posted under the “About Us – Investor Relations” section of our website at [www.lantronix.com](http://www.lantronix.com). The information included on our website shall not be incorporated into or otherwise made a part of this proxy statement. The following includes a summary of our Corporate Governance Guidelines and additional information regarding our Board.

### **Nomination of Director Candidates**

The Corporate Governance and Nominating Committee considers candidates for Board membership, and recommends director nominees to the Board for consideration and approval. There are no specific minimum qualifications that a director must possess to be nominated. However, the Corporate Governance and Nominating Committee assesses the appropriate skills and characteristics of a nominee based on the composition of the Board as a whole and based on the nominee’s qualifications, such as independence, skills and experience in such areas as operations, technology, product development, finance, marketing and sales. For more information, see below under the caption “Criteria for Director Nominees and Board Diversity.”

The Corporate Governance and Nominating Committee also will consider qualified candidates for director nominees suggested by our stockholders. Stockholders can suggest qualified candidates for director nominees by submitting the candidate’s name and qualifications in writing to us at the following address: Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, California 92618, Attention: Corporate Secretary. The Corporate Governance and Nominating Committee will consider such suggestions for candidates for Board membership, but it is not obligated to include them on our slate of director nominees. The Corporate Governance and Nominating Committee does not intend to evaluate candidates proposed by stockholders any differently than other candidates.

### **Director Independence**

Our Corporate Governance Guidelines require that a majority of our directors meet the criteria for independence set forth under applicable securities laws, including applicable rules and regulations of the SEC and applicable listing standards of the Nasdaq Stock Market (“Nasdaq”). The Nasdaq listing standards provide that an independent director is one who the Board affirmatively determines is free of any relationship that would interfere with that individual’s exercise of independent judgment. Our Board has reviewed the relationships between the Company, including our subsidiaries and affiliates, and each Board member. Based on its review, the Board has affirmatively determined that Bernhard Bruscha, Bruce C. Edwards, Paul F. Folino, Martin Hale, Jr. and Hoshi Printer currently have no relationships that would interfere with their exercise of independent judgment and that each of them is “independent” in accordance with the foregoing independence standards. Jeffrey Benck was determined not to be independent based on

his service as our President and Chief Executive Officer.

### **Board Leadership Structure**

Our Corporate Governance Guidelines provide that the Board will appoint a Chairman of the Board with the approval of a majority of the directors then in office or as otherwise provided in our Bylaws. While any director (including the Chief Executive Officer or other management director) is eligible for appointment as the Chairman of the Board, the Board's current preferred governance structure is to have an independent director serve as Chairman of the Board. Accordingly, the Board is currently led by Bernhard Bruscha, our Chairman of the Board, a position separate from our Chief Executive Officer and President, Jeffrey Benck. Separating the positions of Chief Executive Officer and Chairman of the Board allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management.

## **Risk Oversight**

While our management has primary responsibility for identifying and mitigating risks, the Board has overall responsibility for oversight of such risks, with a focus on the most significant risks facing the Company. At least annually, management and the Board jointly review our strategic goals and associated risks. Throughout the year, the Board and the committees to which the Board has delegated responsibility dedicate a portion of their meetings to review and discuss specific risk topics in greater detail.

The Board has delegated responsibility for the oversight of specific risks to Board committees as follows:

The Audit Committee oversees our risk policies and processes relating to financial statements and financial reporting, as well as investment, capital structure and compliance risks, and the guidelines, policies and processes for monitoring and mitigating those risks.

The Compensation Committee oversees risks associated with our incentive plans, the compensation of executive management, and the effect the compensation structure may have on business decisions.

The Corporate Governance and Nominating Committee oversees risks related to our governance structure and the evaluation of individual Board members and committees.

The Board's risk oversight process builds upon management's enterprise-wide risk assessment and mitigation processes, which include ongoing monitoring of various risks including those associated with long-term strategy and business operations, regulatory and legal compliance and financial reporting.

## **Meetings of the Board**

During fiscal 2017, the Board held six meetings. Each director attended 100% of the meetings of the Board held during the period of his tenure in fiscal 2017.

## **Executive Sessions**

Although the Chief Executive Officer and other members of senior management are invited to attend meetings of the Board, the members of the Board meet in executive session, without executive management present, in conjunction with each of the regularly scheduled meetings of the Board. Each committee of the Board also meets regularly in executive session without executive management present. In addition, the Audit Committee meets quarterly in separate executive sessions with our independent registered public accounting firm and with our Chief Financial Officer.

### Director Attendance at Annual Stockholder Meetings

Under our Corporate Governance Guidelines, the directors are expected to attend our annual meetings of stockholders. All of the directors attended the 2016 annual meeting of stockholders.

### Committees of the Board

To facilitate independent director review, and to make the most effective use of the directors' time and capabilities, the Board has established the following standing committees: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The responsibilities of each committee are set forth in a written charter, each of which has been approved by the Board. Each standing committee reviews and assesses the adequacy of its charter on an annual basis. Each such charter is available under the "About Us – Investor Relations" section of our website at [www.lantronix.com](http://www.lantronix.com). The Board is permitted to establish other committees from time to time as it deems appropriate. Current committee membership and the number of meetings of each committee in fiscal 2017 are shown in the table below.

	Audit Committee	Compensation Committee	Corporate Governance & Nominating Committee
Bruce C. Edwards	Member	Chair	Member
Paul F. Folino	Member	Member	Chair
Martin Hale, Jr.	–	Member	–
Hoshi Printer	Chair	Member	Member
Number of Fiscal 2017 Meetings	4	5	4