



CORPORATE GOVERNANCE GUIDELINES

(as amended, November 16, 2016)

These Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors (the “Board”) of Lantronix, Inc. (“Lantronix” or the “Corporation”) as a component of the flexible governance framework within which the Board, assisted by its committees, oversees the affairs of the Corporation. These Guidelines should be interpreted in the context of all applicable laws, regulations and listing requirements of the Nasdaq Global Select Market (“Nasdaq”), as well as the Corporation’s Certificate of Incorporation, Bylaws and the charters of the committees of the Board. These Guidelines represent the principles that form the corporate governance framework for Lantronix.

The Corporate Governance and Nominating Committee of the Board reviews these Guidelines periodically and recommends amendments to the Board as necessary. These Guidelines, which may be amended or restated from time-to-time, shall be posted on the Corporation’s website for communication to the Corporation’s stockholders.

Roles of the Board and Management

The Corporation’s business is conducted by its employees and officers under the direction of the chief executive officer (the “CEO”) and the oversight by the Board. The Board represents the stockholders’ interests in perpetuating a successful business, including optimizing long-term financial returns, and protecting and enhancing stockholder value. Both the Board and management recognize that the long-term interests of the stockholders are advanced by responsibly considering the concerns of the other stakeholders and interested parties of the Corporation including employees, customers, suppliers, creditors, local communities and the public at large.

Basic Responsibilities of Directors and the Board

The Board’s primary responsibility is to regularly monitor the effectiveness of management’s policies and decisions and the execution of management’s strategies.

The basic responsibility of the directors is to exercise their business judgment and to act in good faith in a manner that they believe to be in the best interests of the Corporation and its stockholders and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In discharging these obligations, directors should be entitled to rely on the honesty and integrity of, and information, representations and documentation provided by, the Corporation’s officers and other employees, its external advisors, its independent registered public accounting firm, its external legal counsel, and any other consultant or professional retained by management, the Board or any committee of the Board.

Directors are expected to prepare for, attend and participate actively in all Board meetings and meetings of Board committees on which they serve and to meet as frequently as needed to discharge their responsibilities properly.

In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- Selecting, evaluating, compensating and, when necessary, replacing the CEO and other senior management, and overseeing management succession planning;
- Reviewing, approving and monitoring fundamental financial and business strategies;
- Assessing major risks facing the Corporation and reviewing options for their mitigation;
- Determining and implementing the Corporation’s executive compensation philosophy and strategy;
- Reviewing and approving the Corporation’s financial plans and capital budget;

- Reviewing and approving significant transactions, including debt and equity financings and significant reorganizations, acquisitions and dispositions; and
- Ensuring processes are in place for maintaining the integrity of the Corporation, its financial statements, its compliance with law and ethics, its relationships with employees, its relationships with customers and suppliers, and its relationships with investors and stockholders.

Risk Oversight

While management of the Corporation 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 Corporation. At least annually, management and the Board should jointly review the Corporation's 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. The Audit Committee oversees 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 the Corporation's 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 the Corporation's governance structure and the evaluation of individual Board members and committees.

Board Composition and Director Qualifications

1. **Board Size.** The Board, with the assistance of its Corporate Governance and Nominating Committee, will periodically determine the number of directors that constitutes the Board to allow for diversity of experience and perspectives balanced by the Board's ability to be efficient and effective.

2. **Independence.** The majority of the Corporation's directors will be independent directors in accordance with the rules of Nasdaq. At least annually, the Board will review the application of the independence criteria to each director designated as an independent director to make sure that the director continues to qualify as independent. If a director becomes aware of a change in circumstances which the director believes may affect his or her independent status with respect to general board service or service on a particular committee, he or she should promptly advise the Board.

3. **Selection of Directors.** All Board members are elected annually by the Corporation's stockholders. The Board proposes a slate of nominees to the stockholders for election to the Board. The Corporate Governance and Nominating Committee is responsible for screening and recommending candidates for consideration by the Board.

The Corporate Governance and Nominating Committee will consider qualified candidates for director nominees suggested by the Corporation's stockholders. Stockholders can suggest qualified candidates for director nominees by submitting the candidate's name and qualifications in writing to the Corporation at the following address: Lantronix, Inc., 7535 Irvine Center Drive, Ste. 100, Irvine, CA 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 the Corporation's slate of nominees for directors. The Corporate Governance and Nominating Committee will evaluate candidates proposed by stockholders using the same criteria as any other candidates.

The Corporation's Bylaws also set forth procedures relating to the direct nomination of directors by stockholders. No person will be eligible for election as a director unless nominated by the Board or in accordance with such advance notice provisions.

4. **Qualifications.** The Board should be comprised of individuals with diverse, complementary backgrounds. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. In addition, directors should, at a minimum, exhibit proven leadership capabilities and experience at a high level of responsibility within their chosen fields and have the ability to

quickly grasp complex principles of business, finance and technology. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time.

The Corporate Governance and Nominating Committee is responsible for reviewing with the Board, from time to time, specific skills and characteristics required of Board members in the context of the current make-up and needs of the Board and the Corporation. The Corporate Governance and Nominating Committee will consider candidates for Board membership, and recommend 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 size and composition of the existing Board, and based on the nominee's qualifications, such as: independence from management; depth of understanding of technology, manufacturing, sales and marketing, finance and/or other elements directly relevant to the Corporation's business; education and professional background; judgment, skill, integrity and reputation; existing commitments to other businesses as a director, executive or owner; personal conflicts of interest, if any; and diversity of skills, backgrounds, experiences and other qualifications, to meet the Corporation's ongoing needs. The Board's consideration of diversity as a criteria for director nominations is primarily focused on evaluating a nominee's expected contribution to the diversity of skills, background, experiences and perspectives, given the then existing composition of the Board as a whole. In general, candidates who hold or who have held an established executive-level position in a high technology company are preferred.

Prior to nominating a sitting director for re-election at an annual meeting of stockholders, in addition to the factors described above, the committee will consider the director's past attendance at, and participation in, meetings of the Board and its committees and the director's formal and informal contributions to the Board and its committees. The Committee will also consider feedback received during the annual Board, Committee and individual director assessment process.

5. Chairman; Lead Independent Director. 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 the Corporation's Bylaws. Any director (including the CEO or other management directors) is eligible for appointment as the Chairman of the Board. While the positions of Chairman of the Board and CEO may be held by the same person, the Board's current preferred governance structure is to have an independent director serve as Chairman of the Board. In cases where the Board determines it is the best interests of the Corporation's stockholders to combine the positions of Chairman of the Board and CEO, one of the independent directors will be designated by a majority of the independent directors to be the "Lead Independent Director." If the Chairman of the Board is an Independent Director, the Chairman of the Board shall serve as the Lead Independent Director.

6. Limits on Other Board Service. The Corporation does not limit the number of public company boards on which members of the Board are permitted to serve. However, directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. All directors are required to advise the Chairman of the Board, or if different from the Chairman, the Lead Independent Director, in advance of accepting an invitation to serve on the Board of another public company and are expected not to accept the invitation if it would materially interfere with the director's responsibilities as a member of the Board.

The Board does not believe that directors who retire from or change their principal occupation, business association or position should necessarily leave the Board; however, there should be an opportunity for the Board and/or the Corporate Governance and Nominating Committee to review the appropriateness of continued Board membership under the changed circumstances. A director who retires from or changes his or her principal occupation, business association or position is expected to offer to resign as a director of the Corporation if such change has a negative effect on the director's continued Board membership.

7. Term of Office. Directors serve for a one-year term and until their successors are elected. The Board does not believe that arbitrary term limits on directors' service are appropriate. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Corporation based on their experience with and understanding of the Corporation's history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the Board evaluation and director nomination processes described in these Guidelines. At the same

time, the Board does not believe that directors should expect to be re-nominated annually. The selection and review processes and qualifications described in these Guidelines, including the Board self-evaluation process conducted by the Corporate Governance and Nominating Committee, will be an important consideration for Board tenure.

Board Compensation

A director who is an employee of the Corporation or one of its subsidiaries is not entitled to receive any additional compensation for services as a director. The Board, through the Compensation Committee, will review periodically the compensation and compensation policies for the non-employee directors serving on the Board and its committees. The Compensation Committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of the Corporation's size and scope; compensation should align directors' interests with the long-term interests of stockholders; and the structure of the compensation should be clearly disclosed to stockholders. To align director compensation with corporate performance and the interests of the Corporation's stockholders, a meaningful portion of the compensation of its directors should be in equity of the Corporation. Changes in Board compensation, if any, should come at the recommendation of the Compensation Committee, and with discussion and approval by the Board.

In view of their significant added responsibilities, the Chairman of the Board, or if different from the Chairman, the Lead Independent Director, committee chairs, and members of committees, may receive reasonable compensation for their added responsibilities, which may be greater in amount than that paid to other directors.

Committees of the Board

1. **Establishment of Committees.** 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: an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The Board may, from time to time, establish any other standing or special committees that it determines are necessary or desirable to carry out its responsibilities, and subsequently may disband any committee so established.

2. **Committee Charters.** Each of the standing committees has a charter that is approved by the Board. The charter sets forth the duties and responsibilities of the committee, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

3. **Committee Chair and Member Selection.** The Board, through or with the Corporate Governance and Nominating Committee's recommendation, will designate the members and Chair of each committee, endeavoring to match the committee's function and needs for expertise with the individual skills and experience of the appointees to the committee. The Audit, Compensation, and Corporate Governance and Nominating Committees shall consist solely of independent directors. Members of the Audit and Compensation Committees shall also meet any additional criteria for independence, financial literacy, expertise and experience that statutes, SEC regulations, Nasdaq rules and stock-option-related tax regulations may require for those committees. If any director ceases to be independent under the standards set forth herein while serving on any committee whose members must be independent, he or she shall promptly resign from that committee.

4. **Committee Functions.** The frequency, length and content of committee meetings and other matters of committee governance will be determined by each committee in light of the authority delegated by the full Board to the committee, the committee's charter, if any, approved by the Board, and legal, regulatory, accounting or governance principles applicable to that committee's function. The Corporation will provide each committee with access to Corporation employees and the Corporation's independent registered public accounting firm and legal advisors and other resources, as requested, to enable the committee to carry out its responsibilities. Minutes of each committee meeting will be made available to each Board member to assure that the Board remains fully apprised of topics discussed and actions taken. The Chair of each committee will report at Board meetings on committee actions, as appropriate.

5. **Committee Meetings.** All non-management directors who are not members of a committee may attend and observe meetings of such committee, but shall not be entitled to vote. Each committee may, at its discretion and at

the invitation of the chair of such Committee, include in its meetings members of the Corporation's management, representatives of the Corporation's outside advisors, any other personnel employed or retained by the Corporation or any other persons whose presence the Committee believes to be necessary or appropriate.

Meetings of the Board and Committees

1. Frequency and Attendance and Subject Matter. Board and committee meetings are held with such frequency as the business of the Corporation requires. It is the current practice of the Corporation to hold not less than four regular meetings every year. Special meetings, including meetings held by telephone conference call, may be held between regular meetings as circumstances may require. The Chairman of the Board or, if different from the Chairman, the Lead Independent Director, sets annual calendar of Board, and the chair of each committee sets the annual calendar for each respective committee.

2. Attendance. Each director is expected to attend in person all regularly scheduled meetings and special meetings of the Board and of each committee on which the director serves, and to spend the time necessary to prepare for meetings. Telephonic participation in Board meetings is permitted only in special or extenuating circumstances.

3. Agenda. The Chairman of the Board or, if different from the Chairman, the Lead Independent Director, coordinates with the CEO and corporate secretary to set the agenda for each Board meeting, taking into account suggestions from other members of the Board and from senior management. Each Board committee and each individual director is encouraged to suggest items for inclusion on the agenda. The Board, however, will ultimately be responsible for its own agenda. The Chairman of the Board or, if different from the Chairman, the Lead Independent Director, prepares annually for the Board, and the chair of each committee prepares annually for the respective committees, a list of regular items to be on the board agenda or the respective committee agendas throughout the year at which they will be addressed. Special items are placed on the agenda throughout the year as required or needed.

4. Advance Review of Meeting Materials. Background materials relating to matters to be considered at a Board or committee meeting will be circulated to directors at least three business days in advance of the meeting. Directors are expected to review these materials in advance of the meeting. In situations where the subject matter is time-sensitive or highly confidential, the Chairman may elect to communicate information in advance of the meeting by telephone.

5. Board Presentations by Management. The Board encourages the participation of management officials, in addition to the CEO, in Board meetings for the purpose of (a) making presentations; (b) responding to director questions; (c) providing information on matters within their areas of expertise; and (d) allowing them to gain Board exposure.

6. Executive Sessions of the Independent Directors. It is the policy of the Board that the independent directors have regularly scheduled meetings (at which only independent directors are present) at least four times per year, before or after regularly scheduled Board meetings, to discuss such matters as the independent directors consider appropriate. These meetings are presided over by the Corporation's Chairman or, if different, the Lead Independent Director. Any independent director may request a meeting of the independent directors by contacting the Chairman of the Board, or if different from the Chairman, the Lead Independent Director, or the Chair of the Corporate Governance and Nominating Committee.

Board Access to Management and Advisors

Each director has full access to management of the Corporation. Directors are expected to exercise their best judgment to ensure that such contacts are not disruptive of the business operations of the Corporation.

The Board and its committees each shall have the authority at any time to hire, at the expense of the Corporation, outside consultants and advisors, including legal and accounting advisors, to assist it in the discharge of its duties.

Performance Review of the Board and the Committees of the Board

1. **Review of Board Effectiveness.** The Corporate Governance and Nominating Committee coordinates annually a process of self-assessment by all members of the Board on the performance of the Board during the preceding year and reports to the Board the findings and recommendations to improve Board effectiveness.

2. **Review of Committee Effectiveness.** The Corporate Governance and Nominating Committee reviews the committee structure and the membership of each committee at least annually and makes recommendations on any changes that it believes are appropriate. In addition, based on criteria and procedures developed by the Corporate Governance and Nominating Committee, each standing committee annually coordinates a process of self-assessment on the performance of such committee during the preceding year and reports to the Board the findings and any recommendations to improve committee effectiveness.

Management Review and Succession Planning

The Compensation Committee should conduct, and review with the Board, an annual evaluation of the performance of all executive officers, including the CEO. The Compensation Committee is expected to use this review in the course of its deliberations when considering the compensation of the CEO and senior management. The Board also reviews the CEO performance evaluation to ensure that the CEO is providing effective leadership of the Corporation. As part of the annual evaluation, the Board and the CEO should conduct an annual review of management development and succession planning for senior management, including the CEO.

Clawback Policy

The Compensation Committee is responsible for maintaining an executive compensation recoupment policy, or “clawback policy,” to enable the Corporation to recover certain incentive compensation payments based on restated financial results.

Director Orientation and Education

The CEO shall be responsible for ensuring that an effective orientation for new directors occurs within the first six months of election to the Board. In addition, from time to time, the Corporation will provide materials and arrange briefing sessions for all directors that address business, legal, and other matters of importance that would assist them in discharging their duties. The Corporation also supports attendance of its directors at continuing education conferences for directors of public companies.

Ethics and Conflicts of Interest

The Board expects Lantronix directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Lantronix Code of Business Conduct and Ethics. In the absence of exceptional circumstances, the Board will not permit any waiver of any ethics policy for any director or executive officer. If a director becomes aware that he or she has a conflict of interest with the Corporation (or that a significant potential exists that he or she will have a conflict of interest with the Corporation in the foreseeable future), the director shall promptly inform the Chairman and, if different from the Chairman, the Lead Independent Director. If a significant ongoing long-term conflict exists and cannot be resolved, the director should offer to resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board, through the Corporate Governance and Nominating Committee, will be responsible for resolving or addressing any conflict of interest question involving the CEO or any executive officer, and the CEO will be responsible for resolving or addressing any conflict of interest issue involving any other employee of the Corporation.

Communication with Stakeholders

The Board believes that the Corporation’s management speaks for the Corporation. Accordingly, all discussions with and communications to the press, business partners, stockholders and the general public relating to the Corporation made by the management and all inquiries made to individual directors should be referred to the CEO or



other appropriate company officer. If requested by the CEO, an individual Board member may meet or communicate with any of the Corporation's constituencies or the public.

Stockholders may send written communications directly to the attention of the Board or any individual Board member. Stockholders who wish to communicate with the Board can write to the Corporation's Corporate Secretary at Lantronix, Inc., 7535 Irvine Center Drive, Suite 100, Irvine, CA 92618, U.S.A. or by email at secretary@lantronix.com.

Communications shall be distributed to the Board, or to individual directors as appropriate, depending on the facts and circumstances outlined in the communication. The Board has instructed the Corporate Secretary to review all correspondence and to determine, in his or her discretion, whether matters submitted are appropriate for Board consideration. In particular, the Board has directed that communications such as product or commercial inquiries or complaints, resumes and other job inquiries, surveys and general business solicitations or advertisements should not be forwarded to the Board. In addition, material that is unduly hostile, threatening, illegal, patently offensive or similarly inappropriate or unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any director upon request. The Corporate Secretary may forward certain communications elsewhere in the company for review and possible response.

Anyone who has a concern about the conduct of the Corporation or any of its officers or employees, or about the Corporation's accounting, internal controls, disclosure controls and procedures, auditing, compensation and governance matters may communicate that concern directly to the Audit Committee, or the Corporation's General Counsel, as appropriate in light of the specific concern involved. Communications of this type may be confidential or anonymous, and may be communicated in the manner posted from time to time on the Corporation's website. Concerns relating to accounting, internal controls, disclosure controls and procedures, auditing matters, fraud or deceptive financial practices shall be forwarded to the Chair of the Audit Committee. The Corporation's policies prohibit retaliation or adverse action against anyone for raising or helping to resolve an integrity concern.