



**LANTRONIX, INC.
FOREIGN CORRUPT PRACTICES ACT (FCPA) POLICY**

Effective as of November 16, 2011

INTRODUCTION

The Foreign Corrupt Practices Act ("FCPA") is a federal law that seeks to prevent corrupt practices in international transactions. FCPA prohibits bribery of foreign officials and employees who work for foreign governments. FCPA also prohibits the corrupt payment (or offer, promise or authorization of payment) of anything of value to any foreign official or employee, directly or indirectly, for the purpose of obtaining or retaining business, directing business to any person or entity, or securing any improper advantage. In addition, the FCPA requires companies to keep and maintain accurate books and records in reasonable detail and to devise and maintain a reasonable system of internal controls.

FCPA prohibitions are applicable to United States organizations, public and private, and any person, including a foreign person or firm, if they commit a prohibited act in the United States. Further, a United States entity may be held liable under FCPA for the improper activities of its foreign subsidiaries if the United States entity authorized or participated in the conduct.

Lantronix, Inc. ("Lantronix" or the "Company") is committed to achieving the highest standards of ethical conduct and complying with all applicable laws, including the FCPA, in the countries where it conducts business. Accordingly, Lantronix has adopted this FCPA Policy (the "FCPA Policy") to help ensure that Lantronix Representatives as specified in the Definitions, below are aware of, monitors, and complies with FCPA. This FCPA Policy works in conjunction with the Lantronix Code of Business Conduct and Ethics and all other applicable Lantronix policies. Except as expressly provided herein or otherwise required by the FCPA to the contrary, any and all other Company policies shall remain in full force and effect and shall not be superseded or modified by this Policy. Furthermore, the FCPA Policy is intended to supplement, not replace, the other Company policies and procedures.

If you are uncertain about the applicability of ramifications of FCPA in any situation or circumstance, or if you have any other question or concern whatsoever with respect to FCPA, you must seek additional guidance from the Company Compliance Officer (defined below). FCPA violations can result in severe civil and criminal penalties and reputational damage for the Company and individuals involved in the violations. The Company is generally not permitted by law to pay fines imposed on Representatives (as defined below) for FCPA violations. The Company regards FCPA compliance as critical, and hence, you are directed to

seriously and carefully evaluate all of the contents of this FCPA Policy and the ongoing monitoring and compliance of activities and operations to the requirements of FCPA.

DEFINITIONS

Certain definitions are important in understanding and implementing this FCPA Policy.

“Anything of Value” (may be in lowercase) includes not only cash or cash equivalents, but also trips, donations, gifts, gift cards, meals, entertainment (such as, concert or sport tickets), properties, transportation, loans, travel, lodging, job offers and services. The applicable determination is not retail value but whether the recipient subjectively attaches value to the disbursement.

“Audit Committee” shall mean the audit committee of the board of directors of Lantronix, Inc.

“Board” shall mean the board of directors of Lantronix, Inc.

“Company” includes Lantronix, Inc. and each of its subsidiaries and affiliated business entities.

“Compliance Officer” shall mean the Company’s Chief Financial Officer (“CFO”), or any other person designated by the Board.

“Family Members” means as to a specific Representative, his or her Immediate Family Members and any company, partnership, limited liability company, trust or other entity that is directly or indirectly controlled by that Representative or by any Immediate Family Member of that Representative.

“Foreign Officials” includes (a) officials (regardless of rank or position), officers and employees of foreign governments (including federal, state, provincial, county or municipal divisions thereof), state-owned enterprises (i.e. a company or business owned in whole or part by a government), public international organizations (such as, for example, the World Bank, United Nations or European Union), and/or foreign political parties (or any departments, agencies or subdivisions of any of the foregoing entities or groups); (b) foreign candidates for political office or any person acting in any official capacity; or (c) agents and close relatives of any of the individuals, entities or groups described above.

“Immediate Family Members” includes the spouse (or life partner) and children of a Representative and any grandparent, parent or sibling (by blood, adoption or marriage) of that Representative or spouse (or life partner) or anyone residing in the same household as such Representative.

“Representatives” means any director, officer, shareholder, employee, representative or agent of Company.

“Third Parties” means distributors, consultants, joint venture partners, and any other third parties which work in any capacity, directly or indirectly, with Company.

SCOPE

This FCPA Policy has been adopted to ensure that Company complies with the general requirements of the FCPA. This FCPA Policy applies to the Company as well as to persons acting on behalf of the Company as its Representatives. The general principles and prohibitions discussed herein also apply to Third Parties. Where the FCPA Policy references only Representatives, the general restrictions, conditions and obligations of the Representatives shall apply in a substantially similar or equivalent manner to Third Parties. All Representatives of Company must comply with the spirit and letter of applicable laws and regulations anywhere in the world that Company conducts business. The obligations, restrictions and conditions of this FCPA Policy, when applied to any Representative of Company, include Family Members of the Representative.

The FCPA Policy applies to the aforementioned individuals and entities, whether or not they are United States citizens or residents, and regardless of whether the individuals and entities are located inside or outside of the United States. This FCPA Policy applies to dealings with government officials and not with commercial business partners, as long as such dealings with commercial business partners involve no payments intended to be transferred to government officials. Lantronix operates in different jurisdictions and has Representatives from, and works with Third Parties, across the world. As a result, certain Representatives and Third Parties may be subject to different laws, customs, and cultures. In some jurisdictions, Lantronix may issue specific anti-bribery or anti-corruption guidelines to conform to applicable local laws, but those guidelines must always conform to the minimum standards outlined in this FCPA Policy.

YOUR RESPONSIBILITIES

- You are expected to read and understand this FCPA Policy.
- You must observe the standards and requirements specified herein and comply with all applicable policies and procedures in the FCPA Policy.
- You must cooperate with investigations into possible violations of FCPA and this FCPA Policy and be truthful and forthcoming in the course of any and all of these investigations.

- Reprisals, threats, retribution or retaliation against any person who has in good faith reported a violation or a suspected violation of FCPA, this FCPA Policy or other Company policies, or against any person who is assisting in good faith in any investigation or process with respect to any such violation, is strictly prohibited.
- In trying to determine whether or not any given action is appropriate under this FCPA Policy or FCPA generally, please actively seek guidance from Company and its Compliance Officer for any potential FCPA violations or other questionable acts or omissions under the FCPA Policy.

If you have any questions or concerns about the FCPA Policy, it is your responsibility to seek guidance from the Compliance Officer.

GENERAL STANDARDS OF THE FCPA POLICY

Overview

Lantronix seeks to comply fully with all applicable provisions of the FCPA. The FCPA is complex and far reaching. This FCPA Policy is not intended to be an explanation of all the specific provisions of the FCPA or an exhaustive list of activities or practices that could affect the reputation and goodwill of Company's business. This FCPA Policy should be read in conjunction with Company's other policies (including, but not limited to, the Code of Business Conduct and Ethics) and may be more restrictive than the letter of the FCPA. The full text of the FCPA is available at <http://www.justice.gov/criminal/fraud/fcpa/docs/fcpa-english.pdf>.

If, for any reason, there is a difference or conflict between the application of this FCPA Policy and the laws of a different jurisdiction, the FCPA Policy shall still apply, and Representatives should comply with this FCPA Policy, unless a Representative is instructed to the contrary in writing by the Compliance Officer.

The FCPA has two applicable parts: the **corrupt payments** section and the **record keeping and internal controls** section. The Company and each of its Representatives must comply with all applicable parts of each of these two sections.

Corrupt Payments

Except as expressly and specifically set forth in the section "Permitted Actions" below, the FCPA Policy prohibits Company, its Representatives and Family Members, and Third Parties, from paying, offering, giving, authorizing, or promising, either directly or indirectly, anything of value to any Foreign Official in order to secure an improper advantage, obtain or retain business, or direct business to any other person or entity (including, but not limited to, the Company).

A violation of the FCPA typically requires “knowing” that the payment will be used to unlawfully obtain or keep business, or direct business to anyone else. Under the FCPA, “knowing” includes situations where the circumstances make it fairly obvious that an illegal payment will directly or indirectly occur, even if the Representative did not actually know the payment would be made. Company and/or Representative may be held to have “knowledge” of an unlawful transaction even if they tried to insulate themselves with willful blindness, ignorance, or conscious disregard of suspicious actions or circumstances.

Receipt of Gifts

Except as expressly and specifically set forth in the section “Permitted Actions” below, the FCPA Policy requires that no Representative shall seek or accept for him or herself or for any Family Member any favors, preferential treatment, special benefits, special documents, gifts or other consideration as a result of such Representative’s provision of anything of value to a Foreign Official.

Giving Gifts or Making Charitable Contributions

Importantly, corrupt payments are not limited to cash, but cover “anything of value,” including gifts, hospitalities, entertainment and tangible items. While in many countries gifts play an important role in building business relationships, problems arise when such customary courtesies create new opportunities for undue influence and misuse. Gifts may only be given to Foreign Officials as expressly permitted in the section “Permitted Actions” below. Any donation to any foreign entity or charity must be specifically pre-approved in writing by the Compliance Officer in each and every instance.

Third Parties

The FCPA prohibits corrupt offers, promises and payments through intermediaries, such as Third Parties. All intermediaries and Third Parties are prohibited from making an offer, promise, or payment of anything of value through an agent, distributor, consultant, joint venture partner or other third party to secure an improper benefit for Lantronix with the knowledge that the ultimate beneficiary of the offer, promise or payment is a Foreign Official. Knowledge includes conscious disregard and deliberate ignorance of facts which indicate a high probability that the relevant payment will occur.

Books, Records and Internal Controls

Company has adopted a system of internal accounting and operating controls and procedures that must be strictly adhered to by all Representatives in providing financial and business transaction information to and within Company so that all underlying transactions are properly documented, recorded and reported. These internal controls are the backbone of the integrity of Company’s financial records and financial statements.

Lantronix is required to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Company’s assets, in

order to satisfy FCPA recordkeeping requirements. The FCPA requires “reasonable detail”, which means the level and degree of detail as would satisfy prudent officials in the conduct of their own affairs. The recordkeeping, accounting and control provisions of the FCPA apply to all transactions, not just those meeting the definition of illegal payments.

Company must also devise and maintain a system of internal accounting controls sufficient to provide “reasonable assurances” of adequate internal controls over accounting and reporting activities. Accordingly, Company requires the following: (a) that transactions are executed in accordance with management’s general or specific authorization; (b) that transactions are recorded in such a way as to allow preparation of a report that is in conformity with generally accepted accounting principles; (c) that access to assets is permitted only in accordance with management’s general or specific authorization; and (d) that the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

PERMITTED ACTIONS

Some limited exceptions (“Permitted Actions”) to the FCPA exist in certain limited circumstances. Representatives may only make or offer consideration to any Foreign Official in connection with a Permitted Action. It may be extremely difficult to distinguish between payments that are legal under the FCPA and illegal activities. Consequently, no payment that is potentially or actually a Permitted Action may be made unless expressly and specifically pre-authorized in writing by the Compliance Officer. The Permitted Actions consist of the three narrow exceptions to the FCPA discussed below.

Facilitation Payments

Small payments (“facilitation payments”) to expedite or secure the performance of a certain routine government action(s) are generally exempted from FCPA. Routine government actions generally involves (a) obtaining permits, licenses or other official documents to qualify a person to do business in a country other than the United States; (b) processing governmental papers, such as visas and work orders; (c) providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance, or inspections related to transit of goods across country; (d) providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or (e) actions of a similar nature. Routine governmental action does not include any decision by a foreign official to award new business or to continue business with a particular person or entity. Facilitation payments must be relatively small in amount in order to qualify for the exception and must be accurately recorded in Company’s books and records.

Local Written Law

Payments that are lawful under the written laws and regulations of the relevant country are generally exempt from FCPA. However, bribery of a government official is illegal in every

country in the world so assertion of this Permitted Action will rarely (if ever) apply.

Bona Fide Expenses

Under certain controlled circumstances, payments of reasonable and bona fide expenses incurred by or on behalf of a government official are not prohibited by the FCPA when they are directly related to the promotion, demonstration or explanation of products or services or the execution or performance of a Company contract. These expenses are often travel, meals and lodging costs, or small gifts related to the promotion of a contract, such as samples and items with Company's logo. The expenses must be reasonable, permitted under applicable local laws and regulations, commensurate with local custom and practice, supported by appropriate documents and duly recorded on Company's books and records, and absent of any appearance of potential improprieties.

Gifts

Giving or receiving certain gifts between a Representative and a Foreign Official may not violate the FCPA Policy. Permitted gifts are those that meet **all** of the following conditions: (a) nominal value (in no event to exceed \$100 in aggregate) will generally not violate the Policy; (b) the gift may not be in cash; (c) the gift must not violate any applicable local law, rule or regulation; (c) the gift shall only be provided as token of esteem, courtesy or in return for hospitality; (d) the gift is of a value which is customary for the country involved and appropriate for the occasion (but in no event greater than \$100 in aggregate); (e) the gift is for an official use rather than a personal use; (f) the gift showcases Company's products or contains Company's logo; (g) the gift is presented openly with complete transparency; and (h) the expense for the gift is correctly recorded on Company's books and records.

ADMINISTRATION

Administration of the FCPA Policy

The Board has specifically directed issuance and implementation of the FCPA Policy and retains ultimate responsibility for ensuring that Company meets its obligations under FCPA. The Board has delegated certain responsibilities for administration of the FCPA Policy to its Audit Committee and to certain officers of Company, including the Compliance Officer. In carrying out the responsibilities below, any of the individuals below may utilize, as reasonably necessary, the assistance of qualified staff members, investigators, forensic accountants and legal counsel.

Audit Committee

The Audit Committee shall have responsibility for the following: (a) overseeing administration of the FCPA Policy; (b) evaluating and recommending to the Board possible amendments to the FCPA Policy; (c) reviewing the findings of the Compliance Officer regarding possible violations of the FCPA Policy; and (d) where the circumstances warrant, undertaking an independent investigation of possible violations of the FCPA Policy.

Chief Financial Officer

The Company's CFO has responsibility for the following: (a) overall implementation and effective oversight of policies and procedures relating to the FCPA Policy; and (b) assisting the Compliance Officer, if other than the CFO, in enforcing this FCPA Policy.

Compliance Officer

Company's Compliance Officer has responsibility for: (a) day-to-day administration of the FCPA Policy; and (b) advising Company personnel, with the assistance of legal counsel on any legal issues related to compliance with the FCPA Policy.

PROCEDURAL MATTERS**Distribution and Acknowledgement**

All Representatives and Third Parties shall receive a copy of this FCPA Policy at the time they begin their relationship with Company. All Representatives must sign an acknowledgment form confirming that they have read the FCPA Policy and that they understand and agree to comply with its provisions. Failure to read the FCPA Policy or to sign an acknowledgment form does not excuse any person from the application of the FCPA Policy.

Reporting Violations

You must report violations or suspected violations of this FCPA Policy to the Compliance Officer and Legal Department at legal@lantronix.com or at Lantronix, Inc., Attn: Legal Department, 7535 Irvine Center Drive, Suite 100, Irvine, CA 92618. Reported violations will be promptly investigated. The primary investigator will be the Compliance Officer, assisted as necessary, with supervising authority and direction for the investigation in the discretion of the Audit Committee, and ultimately the Board.

Disciplinary action

Company will take appropriate action against any Representative or Third Parties whose actions or omissions are found to violate the FCPA Policy. Disciplinary actions may include (without limitation), at Company's sole and absolute discretion, oral or written reprimand, suspension or immediate termination of employment or business relationship, or any other disciplinary action or combination of disciplinary actions as deemed appropriate to the circumstances. All disciplinary actions shall be handled in the manner and under the procedure specified in the Code of Business Conduct and Ethics for violations of such Code. Any violation of this FCPA Policy shall be considered (without limitation) a simultaneous violation of the Code of Business Conduct and Ethics.

Where Company has suffered a loss, it may pursue its remedies against the individual(s) or entities responsible. Violations of this FCPA Policy may also be subject to civil or criminal prosecution by governmental authorities and others. All rights and remedies of Company

under this Code are cumulative. The Company is generally not permitted by law to pay fines imposed on Representatives for FCPA violations

Review and Updates

Company reserves the right to amend, alter or terminate this FCPA Policy at any time.