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LANTRONIX INC
Form DEF 14A
October 15, 2002

SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT
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
- Definitive proxy statement
- Confidential, For Use of the Commission Only
(as permitted by 14a-6(e)(2))
- Definitive additional materials
- Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

LANTRONIX, INC.

(Name of Registrant as Specified in Its Charter)

Payment of filing fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- (1) Amount previously paid:
- (2) Form, schedule or registration statement no.:
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LANTRONIX, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 12, 2002
9:00 A.M. PACIFIC TIME

TO THE STOCKHOLDERS OF LANTRONIX, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Lantronix, Inc., a Delaware corporation (the "Company"), will be held on TUESDAY, NOVEMBER 12, 2002, at 9:00 a.m., Pacific Time, at the corporate headquarters of Lantronix, Inc. at 15353 Barranca Parkway, Irvine, CA 92618, for the following purposes:

1. To elect one (1) director to serve until the 2005 Annual Meeting of Stockholders;
2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the year ending June 30, 2003;
3. To authorize the Board of Directors to approve a reverse stock split in the Common Stock of the Company at a ratio of 1:3 if the Board of Directors determines such action is in the best interest of the Company in order to satisfy requirements for the Company's securities to remain listed on the Nasdaq National Market and to amend the Company's Certificate of Incorporation accordingly; and
4. To transact such other business as may properly come before the meeting or any adjournment(s) thereof.

The foregoing business items are more fully described in the following pages which are made part of this Notice. Stockholders of record at the close of business on Friday, September 27, 2002, may attend and vote at the Annual Meeting. If you will not be attending the meeting, we request you vote your shares as promptly as possible. You may be eligible to vote your shares in a number of ways. You may mark your votes, date, sign and return the Proxy or voting instruction form in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person, even if he, she or it has already returned a Proxy.

H.K. Desai
Chairman
Board of Directors

Irvine, California
October 15, 2002

IMPORTANT: REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO PROMPTLY COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED.

LANTRONIX, INC.
CORPORATE HEADQUARTERS
15353 BARRANCA PARKWAY
IRVINE, CALIFORNIA 92618
(949) 453-3990

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PROXY STATEMENT FOR 2002 ANNUAL MEETING OF STOCKHOLDERS

The enclosed Proxy is solicited on behalf of Lantronix, Inc. (the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on Tuesday, November 12, 2002, at 9:00 a.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the corporate office of Lantronix, Inc. at 15353 Barranca Parkway, Irvine, CA 92618.

These proxy solicitation materials, which include the Proxy Statement, Proxy, and Form 10-K, were first mailed on or about October 15, 2002, to all stockholders entitled to vote at the Annual Meeting.

INFORMATION CONCERNING SOLICITATION AND VOTING

RECORD DATE

Stockholders of record at the close of business on September 27, 2002 (the "Record Date") are entitled to notice of the Annual Meeting and to vote at the Annual Meeting. Presence in person or by Proxy of a majority of the shares of common stock outstanding on the Record Date is required for a quorum. As of the close of business on the Record Date, 54,277,662 Shares of Common Stock, par value of \$0.0001 per share, were issued and outstanding and were the only class of voting securities outstanding. This number is different from that reflected in the Company's Annual Report filed on Form 10-K on October 8, 2002 because the Company's transfer agent, Mellon Investor Services, made adjustments subsequent to September 27, 2002 to correct double entries, which reduced the number of issued and outstanding shares as of the Record Date.

REVOCABILITY OF PROXIES

Properly executed and unrevoked proxies received by the Company will be voted at the Annual Meeting in accordance with the instructions thereon. Where no instructions are specified, the proxies will be voted in favor of all proposals set forth in the Notice of Meeting.

Any person giving a proxy in response to this solicitation has the power to revoke it at any time before it is voted. Proxies may be revoked by any of the following actions:

- filing a written notice of revocation with our Secretary at our principal executive office (15353 Barranca Parkway, Irvine, California 92618).
- filing with our Secretary at our principal executive office (15353 Barranca Parkway, Irvine, California 92618) a properly executed proxy showing a later date; or
- attending the meeting and voting in person by ballot.

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OUR VOTING RECOMMENDATIONS

The Board of Directors recommends that you vote:

- "FOR" the Class II Nominee to serve as a director until the 2005

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Annual Meeting of Stockholders;

- "FOR" the ratification of the appointment of Ernst & Young LLP as independent auditors of the Company for the year ending June 30, 2003; and
- "FOR" authorizing the Board of Directors to approval a reverse stock split in the Common Stock of the Company at a ratio of 1:3 if the Board of Directors determines such action is in the best interest of the Company in order to satisfy requirements for the Company's securities to remain listed on Nasdaq Markets and authorization for the Board of Directors to amend the Company's Certificate of Incorporation in accordance with such action.

VOTING AND SOLICITATION

Each share of Common Stock outstanding on the Record Date of September 27, 2002, will be entitled to one vote on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

Shares of Common Stock represented by properly dated, executed, and returned Proxies will, unless such Proxies have been previously revoked, be voted in accordance with the instructions indicated thereon. In the absence of specific instructions to the contrary, properly executed proxies will be voted: (i) FOR the election of each of the Company's nominee(s) for director; (ii) FOR the ratification of the appointment of Ernst & Young LLP as independent auditors of the Company for the year ending June 30, 2003, and (iii) FOR a reverse-split in the common stock of the Company at a ratio of 1:3 to satisfy Nasdaq requirements for the Company's securities to be listed on the Nasdaq National Market. No business other than that set forth in the accompanying Notice of Annual Meeting of Stockholders is expected to come before the Annual Meeting. Should any other matter requiring a vote of stockholders properly arise, the persons named in the enclosed form of proxy will vote such proxy in accordance with the recommendation of the Board of Directors.

We will pay the costs of soliciting Proxies from stockholders, including the preparation, assembly, printing and mailing of proxy solicitation materials. We will provide copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of Common Stock beneficially owned by others to forward these materials to the beneficial owners of Common Stock. We may reimburse brokerage firms and other such persons representing beneficial owners of Common Stock for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may be solicited by certain of the directors, officers and employees of the Company, without additional compensation, personally or by telephone, telegram, letter or facsimile.

QUORUM; ABSTENTIONS; BROKER NON-VOTES

The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date. Shares that are voted "FOR" or "AGAINST" a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Annual Meeting (the "Votes Cast") with respect to such matter.

Although there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of Votes

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Cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

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In a 1988 Delaware case, *Berlin v. Emerald Partners*, the Delaware Supreme Court held that, while broker non-votes should be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, the Company intends to treat broker non-votes in this manner. Thus, a broker non-vote will not affect the outcome of the voting on a proposal.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Stockholders may submit proposals that they believe should be voted upon at the Annual Meeting or nominate persons for election to our Board of Directors. Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended ("Rule 14a-8"), some stockholder proposals may be eligible for inclusion in our 2003 Proxy Statement. Any such stockholder proposals must be submitted in writing to the attention of the Secretary, Lantronix, Inc., 15353 Barranca Parkway, Irvine, California 92618, no later than June 14, 2003 or the date which is 120 calendar days prior to the anniversary of the mailing date of this Proxy Statement. Stockholders interested in submitting such a proposal are advised to contact knowledgeable legal counsel with regard to the detailed requirements of applicable securities laws. The submission of a stockholder proposal does not guarantee that it will be included in our 2003 Proxy Statement.

Alternatively, under our Bylaws, a proposal or a nomination that the stockholder does not seek to include in our 2003 Proxy Statement pursuant to Rule 14a-8 may be submitted in writing to the Secretary, Lantronix, Inc., 15353 Barranca Parkway, Irvine, California 92618, for the 2003 Annual Meeting of Stockholders. Such proposal or nomination must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 120 days prior to the date of the 2003 Annual Meeting. Note, however, that in the event we provide less than 70 days notice or prior public disclosure to stockholders of the date of the 2003 Annual Meeting, any stockholder proposal or nomination not submitted pursuant to Rule 14a-8 must be submitted to us not later than the close of business on the tenth day following the day on which notice of the date of the 2003 Annual Meeting was mailed or public disclosure was made. For example, if we provide notice of our 2003 Annual Meeting on September 9, 2003, for a 2003 Annual Meeting on November 10, 2003, any such proposal or nomination will be considered untimely if submitted to us after September 19, 2003. For purposes of the above, "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service, or in a document publicly filed by us with the Securities and Exchange Commission (the "SEC"). As described in our Bylaws, the stockholder submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to the stockholder's ownership of our common stock. If a stockholder gives notice of such proposal after the deadline computed in accordance with our Bylaws (the "Bylaw Deadline"), the stockholder will not be permitted to present the proposal to the stockholders for a vote at the 2003 Annual Meeting.

The rules of the SEC also establish a different deadline for submission of stockholder proposals that are not intended to be included in our Proxy Statement with respect to discretionary voting (the "Discretionary Vote

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Deadline"). The Discretionary Vote Deadline for the 2003 Annual Meeting is August 27, 2003, or the date which is 45 calendar days prior to the anniversary of the mailing date of this Proxy Statement. If a stockholder gives notice of such a proposal after the Discretionary Vote Deadline, our Proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at the Annual Meeting.

Because the Bylaw Deadline is not capable of being determined until we publicly announce the date for our 2003 Annual Meeting, it is possible that the Bylaw Deadline may occur after the Discretionary Vote Deadline. In such a case, a proposal received after the Discretionary Vote Deadline but before the Bylaw Deadline would be eligible to be presented at the 2003 Annual Meeting and we believe that our Proxy holders at such meeting would be allowed to use the discretionary authority granted by the Proxy to vote against the proposal at such meeting without including any disclosure of the proposal in the Proxy Statement relating to such meeting.

We have not been notified by any stockholder of his, her or its intent to present a stockholder proposal from the floor at the 2002 Annual Meeting. The enclosed Proxy grants the Proxy holders discretionary authority to vote

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on any matter properly brought before the 2002 Annual Meeting, including any stockholder proposals received between the date of this Proxy Statement and the Bylaw Deadline for the 2002 Annual Meeting, which is October 25, 2002, or the date which is ten calendar days after the date this Proxy Statement is mailed.

CERTAIN FINANCIAL INFORMATION AND CERTIFICATIONS

Please take note that the Company's financial statements and related information as well as the required certifications as promulgated by the newly enacted Sarbanes-Oxley Act are as set forth in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 8, 2002, and are incorporated herein by this reference. A copy of the Annual Report on Form 10-K is enclosed with this Proxy Statement. Please note, the total number of issued and outstanding shares as of September 27, 2002 is updated in this Proxy Statement to 54,277,662. This number is different from that the 54,433,953 shares reflected in the Company's Annual Report filed on Form 10-K because the Company's transfer agent, Mellon Investor Services, made adjustments subsequent to September 27, 2002 to correct double entries, which then reduced by 156,291 the actual number of issued and outstanding shares as of the Record Date.

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PROPOSAL ONE

ELECTION OF DIRECTORS

NOMINEE

Our Board of Directors is currently composed of four (4) members. Our Certificate of Incorporation and Bylaws provide that the Board of Directors shall be divided into three classes, with each class serving staggered three-year terms. The first class consists of two directors, the second class consists of one director and the third class consists of one director. Directors Howard T. Slayen and H.K. Desai are the Class I directors whose terms expire at the 2004 Annual Meeting of Stockholders. Director THOMAS W. BURTON is the Class II director whose term expires at the 2002 Annual Meeting of Stockholders and

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thus is nominated for reelection (the "Class II Nominee"). Kathryn Braun Lewis is the Class III director whose term expires at the 2003 Annual Meeting. All of the directors, including the Class II Nominee, are incumbent directors. There are no family relationships among any directors or executive officers, including the Nominee.

The term of each of class of directors expires at the third annual meeting following the date of expiration described above. A director elected to fill a vacancy (including a vacancy created by an increase in the size of the Board of Directors) will serve for the remainder of the term of the class of directors in which the vacancy occurred and until his or her successor is elected and qualified. If elected at the Annual Meeting, the Class II Nominee would serve until the 2005 annual meeting and until his successor is elected and has qualified, or until his earlier death, resignation or removal.

Unless otherwise instructed, the holders of Proxies solicited by this Proxy Statement will vote the Proxies received by them for the Class II Nominee. Directors are elected by a plurality (excess of votes cast over opposing nominees) of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by signed proxies will be voted, if authority to do so is not withheld, for the election of the nominee named below. In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the Proxy holders will vote for a nominee designated by the present Board of Directors to fill the vacancy. We are not aware of any reason that the Nominee will be unable or will decline to serve as a director. The Board of Directors recommends a vote "FOR" the election of the Nominee.

The names of the members of our Board of Directors, including the Class II Nominee, their ages as of September 27, 2002, and certain information about them, are set forth below. Mr. Desai, Mr. Burton and Mr. Slayen are currently members of the Audit Committee, Compensation Committee and Nominating Committee.

| Name | Age | Position(s) |
|----------------------|-----|------------------------------------|
| H. K. Desai | 56 | Chairman of the Board of Directors |
| Thomas W. Burton (1) | 56 | Director |
| Kathryn Braun Lewis | 51 | Director |
| Howard T. Slayen | 55 | Director |

(1) Denotes Nominee for election at 2002 Annual Meeting of Stockholders

H. K. Desai was elected Chairman of the Board of Directors on May 29, 2002. He has served as a director on the Board of Directors since October 2000. Mr. Desai is currently the Chief Executive Officer of QLogic Corporation, a company that provides end-to-end connectivity for storage area networks. From 1995 to 1996, Mr. Desai was the President and Chief Technical Officer of QLogic. From 1990 to 2002, Mr. Desai served on the board of Microsemi Corporation, a supplier of analog integrated circuits and power and signal discrete semiconductors.

Thomas W. Burton has been a member of our Board of Directors since our inception in 1989. Mr. Burton is an attorney and has operated his own law office, Thomas W. Burton, PLC, since June 1999. From January 1994 to June 1999, Mr. Burton served with the law firm of Cummins & White LLP.

Kathryn Braun Lewis was elected to the Board of Directors in October 2002. She currently serves on the Board of Directors of Artissoft, Inc., a producer of

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computerized telephony solutions. She is also on the Board of Directors of Share Our Selves and THINK Together, both Orange County charities. Ms. Lewis retired from Western Digital in 1998. During her eighteen-year tenure at Western Digital, she was promoted from various management and executive positions to President and Chief Operating Officer of the Personal Storage Division (PSD) and was responsible for the worldwide operations including research and development, manufacturing, and marketing of the world's second largest supplier of hard drives for personal computers.

Howard T. Slayen was elected to the Board of Directors in August 2000. From June 2001 to present, Mr. Slayen has been providing independent financial consulting services to various organizations and clients. From September 1999 to May 2001, Mr. Slayen was Executive Vice President and Chief Financial Officer of Quaartz Inc., a web-hosted communications business. From 1971 to September 1999, Mr. Slayen held various positions with PricewaterhouseCoopers/Coopers & Lybrand including his last position as Corporate Finance Partner.

BOARD MEETINGS AND COMMITTEES

The Board of Directors of the Company held a total of seven (7) meetings during the fiscal year ended June 30, 2002. Each director is expected to attend each meeting of the Board of Directors and those Committees on which he serves. Certain matters were approved by the Board of Directors, or a Committee of the Board of Directors, by unanimous written consent. The Board of Directors has three standing committees, the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Each Committee has a written charter approved by the Board of Directors. No incumbent director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the fiscal year ending June 30, 2002; and (ii) the total number of meetings held by all committees of the Board of Directors during the fiscal year ending June 30, 2002, on which such person served.

| NAME OF COMMITTEE AND MEMBERS | FUNCTIONS OF THE COMMITTEE | NUMBER OF MEETINGS IN THE FISCAL YEAR ENDING JUNE 30, 2002 |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| AUDIT COMMITTEE Howard Slayen Thomas Burton H.K. Desai | *Recommend selection of independent public accountants to Board of Directors; *Review scope and results of year-end audit with management and independent auditors; *Review Company's accounting principals and system of internal accounting controls | 10 |
| COMPENSATION COMMITTEE Thomas Burton H.K. Desai Howard Slayen | *Review and approve salaries, bonuses, and other benefits payable to the Company's executive officers; *Administer the Company's Stock Option Plans | 6 |
| CORPORATE GOVERNANCE AND NOMINATING COMMITTEE H.K. Desai Thomas Burton Howard Slayen | *Oversee Chief Executive Officer and senior management; *Ensure directors take a proactive, focused approach to their positions; *Set the highest standards of responsibility and ethics. | 0* |

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*Consider nominees recommended
by shareholders (1)