

CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
LANTRONIX, INC.

PURPOSE

The purposes of the Compensation Committee of the Board of Directors (the “**Board**”) of Lantronix, Inc. (the “**Company**”) are to:

- Provide oversight and administration of the Company’s compensation policies, plans and benefits programs.
- Discharge the Board’s responsibilities relating to oversight of the compensation of the Company’s Chief Executive Officer (“**CEO**”) and its executive officers (including officers reporting under Section 16 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and designated key employees.
- Administer the Company’s equity compensation plans for its executive officers and employees.
- Undertake those specific responsibilities listed below and such other duties and responsibilities as the Board may from time to time prescribe.

COMPOSITION

The Compensation Committee shall consist of at least two (2) members of the Board. Members of the Compensation Committee shall be appointed by the Board upon the recommendation of the Corporate Governance and Nominating Committee and may be removed by the Board in its discretion. Members of the Compensation Committee must meet the following criteria:

- The independence requirements of the Nasdaq Capital Market;
- The non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Exchange Act; and
- The outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “**IRC**”).

AUTHORITY AND RESPONSIBILITIES

The Compensation Committee shall review and approve, and where indicated below take such actions regarding:

- The Company’s overall compensation philosophy and strategy.
- Corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO’s performance in light thereof, and consider factors related to, the performance of the Company in approving the compensation level of the CEO.
- For the CEO, executive officers, and designated key employees, their

- annual base salary,
 - annual incentive bonus, including the specific goals and amount,
 - equity compensation,
 - employment agreement, severance arrangement and change in control agreement/provision,
 - signing bonus, payment and duration of relocation costs and
 - any other benefits, compensation or arrangements.
- The long-term incentive compensation component for the CEO, executive officers, and designated key employees, considering several factors including, but not limited to, the Company's performance and relative stockholder return, and the peer group at comparable companies.
 - In evaluating and determining all forms of compensation for the CEO, executive officers, and designated key employees, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("**Say on Pay Vote**") required by Section 14A of the Exchange Act.
 - The administration of the Company's equity incentive plans. Pursuant to authority delegated by the Board, (i) grant stock equity awards to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Exchange Act in compliance with Rule 16b-3 promulgated thereunder) and in accordance with procedures and guidelines as may be established by the Board and (ii) amend such equity rights. The Compensation Committee shall also make recommendations to the Board with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder.
 - Appropriate health insurance coverage for the Company's officers and designated key employees. Such determination of health insurance coverage shall be reviewed at least once per annum and the reports of the review shall be made available to the Board.
 - Compensation policies and/or practices as they relate to risk management practices and incentives that relate to risk-taking, as the Compensation Committee determines to be appropriate.
 - Ensuring all option grants comply with Section 162(m) of the IRC.
 - All matters relating to the Say on Pay Vote, including the frequency of such votes and the appropriate response.
 - Change in Control protection provisions granted to any individual in addition to the CEO, executive officers, and designated key employees referenced above.
 - To develop and recommend to the Board for approval a CEO succession plan (the "**CEO Succession Plan**"), to review the CEO Succession Plan periodically with the CEO, develop and evaluate potential candidates for CEO and recommend to the Board any changes to, and any candidates for succession under, the CEO Succession Plan.
 - To develop and recommend to the Board for approval a succession plan for the direct reports to the CEO (the "**Succession Plan**"), to review the Succession Plan periodically with the CEO, develop and evaluate potential candidates and recommend to the Board any changes to, and any candidates for succession under, the Succession Plan.

- To review all forms of director compensation (which may include cash, equity and health insurance coverage, as appropriate) for service on the Board and Board committees at least once a year and to recommend any changes in compensation to the Board.

Additionally, the Compensation Committee:

- May form subcommittees for any purpose that the Compensation Committee deems appropriate and may delegate to such subcommittees such power and authority as the Compensation Committee deems appropriate.
- Shall periodically, but no less than annually, review this Charter and recommend any proposed changes to the Board for approval.
- Shall annually review its own performance, compile its own list of suggested improvements for the following year and update the Board regarding its review and planned improvements.
- Shall have the sole authority to retain, supervise, oversee, and terminate any compensation consultant to assist in the evaluation of the compensation of the CEO, executive officers, or designated key employees and shall have sole authority to approve the consultant's fees and other terms. The Compensation Committee shall also have the authority to take similar measures as enumerated in this paragraph regarding compensation policies and procedures regarding all of the Company's employees and consultants. The Compensation Committee shall also have authority to obtain necessary advice and assistance from internal or external legal, compensation, accounting or other advisors. The Company, in accordance with its normal business practices, shall promptly pay the fees and costs of such advisors.
- The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.
- Will approve the Compensation Discussion and Analysis ("CD&A") report in the Company's annual proxy statement in accordance with the rules and regulations of the Securities and Exchange Commission.
- Shall perform such other functions as assigned by law, the U.S. Securities and Exchange Commission, Nasdaq, the Company's certificate of incorporation or bylaws or the Board.

MEETINGS AND PROCEDURES

- The Compensation Committee will set its own schedule of meetings and will meet at least two times annually, or more frequently as necessary. The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.
- The Compensation Committee will make regular reports to the Board at least twice a year and generally concurrent with other regularly scheduled Board meetings.
- The Board may designate one member of the Compensation Committee as its chairperson. If the Board does not designate a chairperson, a majority of the members of the Compensation Committee may elect a chairperson of the Compensation Committee.