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LANTRONIX INC  
Form PRE 14A  
October 07, 2004

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.

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(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):  
(4) Proposed maximum aggregate value of transaction:  
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 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:  
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LANTRONIX, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 18, 2004  
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 THURSDAY, NOVEMBER 18, 2004, 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 two (2) directors to serve until the 2007 Annual Meeting of Stockholders (notwithstanding item 3);
2. To replenish the Lantronix, Inc. 2000 Employee Stock Purchase Plan with 750,000 shares of common stock;
3. To declassify the board of directors to allow for annual election of all directors and amend the Lantronix, Inc. Certificate of Incorporation accordingly;
4. To ratify the appointment of Ernst & Young LLP as independent registered public accountants of the Company for the year ending June 30, 2005; and
5. 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 24, 2004, 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 18, 2004

IMPORTANT: 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

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IRVINE, CALIFORNIA 92618  
(949) 453-3990  
WWW.LANTRONIX.COM

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## PROXY STATEMENT FOR 2004 ANNUAL MEETING OF STOCKHOLDERS

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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 Thursday, November 18, 2004, 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 18, 2004, 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 24, 2004 (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, 58,447,146 Shares of Common Stock, par value of \$0.0001 per share, were issued and outstanding and were the only class of voting securities outstanding.

#### 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 Corporate Secretary at our principal executive office (15353 Barranca Parkway, Irvine, California 92618);
- filing with our Corporate 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:

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- "FOR" the Nominees to serve as directors until the 2007 Annual Meeting of Stockholders (notwithstanding the third item);
- "FOR" the replenishment of the Lantronix, Inc. 2000 Employee Stock Purchase Plan with 750,000 shares of Lantronix common stock;
- "FOR" amendment of the Lantronix, Inc. Certificate of Incorporation to effect the declassification of the board of directors to allow for annual election of all directors; and
- "FOR" the ratification of the appointment of Ernst & Young LLP as independent registered public accountants of the Company for the year ending June 30, 2005.

### VOTING AND SOLICITATION

Each share of Common Stock outstanding on the Record Date of September 24, 2004, 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.

By signing and returning the proxy card according to the enclosed instructions, you are enabling Marc Nussbaum, Chief Executive Officer and Vincent J. Roth, Deputy General Counsel, who are named on the proxy card as "proxy holders," to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting.

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; and (ii) "FOR" the replenishment of the Lantronix, Inc. 2000 Employee Stock Purchase Plan with 750,000 shares of Lantronix common stock; and (iii) "FOR" the declassification of the board of directors to allow for annual election of all directors; and (iv) "FOR" the ratification of the appointment of Ernst & Young LLP as independent registered public accountants of the Company for the year ending June 30, 2005. 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.

### HOUSEHOLDING

In an effort to reduce printing costs and postage fees, the Company has adopted a practice approved by the Securities and Exchange Commission ("SEC")

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called "householding." Under this practice, stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Company's proxy materials unless one or more of these stockholders notifies the Company that they wish to continue

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receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another stockholder and received only one set of proxy materials and would like to request a separate copy of these materials and/or future proxy materials, please send your request to: Lantronix, Inc., 15353 Barranca Parkway, Irvine, California 92618, Attention: Investor Relations, or visit the Company's website at [www.lantronix.com](http://www.lantronix.com). You may also contact the

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Company if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

### 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," "WITHHELD FROM," "ABSTAIN," 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 the law in Delaware is unclear 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 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.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares "FOR" routine matters but expressly instructing that the broker is NOT voting on non-routine matters. A "broker non-vote" occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of Votes Cast for or against a proposal.

### DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Requirements for Stockholder Proposals to be Considered for Inclusion in our 2005 Proxy Materials. 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 2005 Proxy Statement. Any such stockholder proposals must be submitted in writing to the attention of the Corporate Secretary, Lantronix,

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Inc., 15353 Barranca Parkway, Irvine, California 92618, no later than June 13, 2005 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 2005 Proxy Statement.

Requirements for Stockholder Proposals to be Brought Before the Annual Meeting. Under our Bylaws, a proposal or a nomination that the stockholder does not seek to include in our 2005 Proxy Statement pursuant to Rule 14a-8 may be submitted in writing to the Corporate Secretary, Lantronix, Inc., 15353 Barranca Parkway, Irvine, California 92618, for the 2005 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 2005 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 2005 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 2005 Annual Meeting was mailed or public disclosure was made. For example, if we provide notice of our 2005 Annual Meeting on September 18, 2005, for a 2005 Annual Meeting on November 17, 2005, any such

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proposal or nomination will be considered untimely if submitted to us after September 28, 2005. 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 2005 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 Deadline"). The Discretionary Vote Deadline for the 2005 Annual Meeting is August 27, 2005, 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 2005 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 2005 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 2004 Annual Meeting. The enclosed Proxy grants the Proxy holders discretionary authority to vote on any matter properly brought before the 2004 Annual Meeting, including any

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stockholder proposals received between the date of this Proxy Statement and the Bylaw Deadline for the 2004 Annual Meeting, which is October 21, 2004, or the date which is ten calendar days after the date this Proxy Statement is mailed.

If a stockholder wishes to nominate a candidate for director, the stockholder's notice shall also include the following information for the candidate: (i) name, age, business address and residence address, (ii) principal occupation or employment of such nominee, (iii) class and number of shares of our stock beneficially owned by such nominee, (iv) any other information required by the 1934 Act, and such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected. The stockholder giving notice shall also include his/her/its (i) name and address as they appear on the Company's books, (ii) the class and number of our shares which such stockholder owns on the date of such notice, and (iii) a description of all arrangements between the stockholder and the nominee. A copy of the full text of our bylaws is available from our Corporate Secretary upon written request.

### NOMINATION OF DIRECTOR CANDIDATES

The Corporate Governance and Nominating Committee considers candidates for board membership that our Board of Directors, management or stockholders suggest. It is the policy of the Corporate Governance and Nominating Committee to consider recommendations for candidates to our Board of Directors from stockholders. The Corporate Governance and Nominating Committee will consider persons recommended by our stockholders in the same manner as a nominee recommended by our Board of Directors, individual board members or management. 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 in such other areas as a nominee's qualification as independence, diversity, skills, age and experience in such areas as operations, finance, marketing and sales.

In addition, a stockholder may nominate a person directly for election to our Board of Directors at an annual meeting of our stockholders provided they meet the requirements set forth in our bylaws and the rules and regulations of the Securities and Exchange Commission related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to our Board of Directors at an annual meeting, is described above in the section entitled "Deadline for Receipt of Stockholder Proposals."

### STOCKHOLDER COMMUNICATIONS WITH OUR BOARD DIRECTORS

Stockholders may communicate directly with our Board of Directors by writing to them c/o Lantronix, Inc., 15353 Barranca Parkway, Irvine, California 92618. Unless the communication is marked "confidential", our Corporate Secretary will monitor these communications and provide appropriate summaries of all received messages to the chairperson of our Corporate Governance and Nominating Committee. Any stockholder communication marked "confidential" will be logged as "received," but will not be reviewed by the Corporate Secretary. Such confidential correspondence will be immediately forwarded to the Chairperson of the Corporate Governance and Nominating Committee for appropriate action. Where the nature of a communication concerns questionable accounting or auditing matters directed directly to the Audit Committee, our Corporate Secretary will log the date of receipt of the communication as well as the identity of the correspondent, for non-confidential communications, in the

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Company's stockholder communications log.

### 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 pursuant to the Sarbanes-Oxley Act of 2002, are as set forth in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 28, 2004, and are incorporated herein by this reference. A copy of the Annual Report on Form 10-K is enclosed with this Proxy Statement.

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### PROPOSAL ONE

#### ELECTION OF DIRECTORS

##### NOMINEES

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 2005 Annual Meeting of Stockholders. Director Kathryn Braun Lewis is the Class III director whose term expires at the 2006 Annual Meeting. Thus, Howard T. Slayen and H.K. Desai are nominated for reelection (the "Nominees"). All of the directors, including the Class I Nominees, are incumbent directors. There are no family relationships among any directors or executive officers, including the Nominees.

The term of each 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 I Nominees would serve until the 2007 annual meeting and until his successor is elected and has qualified, or until his earlier death, resignation or removal, or as otherwise modified by Proposal Three below.

Unless otherwise instructed, the holders of Proxies solicited by this Proxy Statement will vote the Proxies received by them for the Class I Nominees. 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 Nominees will be unable or will decline to serve as directors. The Board of Directors recommends a vote "FOR" the election of the Nominees.

The names of the members of our Board of Directors, including the Class I Nominees, their ages as of September 24, 2004, and certain information about them, are set forth below.



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Name	Age	Position
H. K. Desai (1)	58	Chairman of the Board of Directors
Thomas W. Burton	58	Director
Kathryn Braun Lewis	53	Director
Howard T. Slayen (1)	57	Director

(1) Denotes Nominees for election at 2004 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.

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Kathryn Braun Lewis was elected to the Board of Directors in October 2002. She currently serves on the Board of Directors of Share Our Selves and THINK Together, both Orange County charities. She has also served as a director of two other public companies since 1994. 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 Quartz 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 five (5) meetings during the fiscal year ended June 30, 2004. Our Board of Directors has determined that each member of the Board of Directors is independent as per Rule 4200(a)(15) of the National Association of Securities Dealers' listing standards. Each member of the committees meets the independence standards of Rule 4200(a)(15) of the Nasdaq National market. 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.

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NAME OF COMMITTEE AND MEMBERS	FUNCTIONS OF THE COMMITTEE	NUMBER OF MEETINGS IN THE FISCAL YEAR ENDING JUNE 30, 2004
AUDIT COMMITTEE Howard Slayen, Chair Thomas Burton Kathryn Braun Lewis	<ul style="list-style-type: none"> <li>*Selects independent registered public accountants</li> <li>*Review scope and results of year-end audit with management and independent registered public accountants</li> <li>*Review Company's accounting principals and system of internal accounting controls</li> <li>*Determines investment policy and oversees its implementation</li> </ul>	5
COMPENSATION COMMITTEE Thomas Burton, Chair H.K. Desai Howard Slayen Kathryn Braun Lewis	<ul style="list-style-type: none"> <li>*Review and approve salaries, bonuses, and other benefits payable to the Company's executive officers</li> <li>*Administer the Company's equity incentive plans</li> <li>*Review and recommend general policies relating to compensation and benefits</li> </ul>	4
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CORPORATE GOVERNANCE AND NOMINATING COMMITTEE H.K. Desai, Chair Thomas Burton Howard Slayen	<ul style="list-style-type: none"> <li>*Oversee Chief Executive Officer and senior management</li> <li>*Ensure directors take a proactive, focused approach to their positions</li> <li>*Set the highest standards of responsibility and ethics</li> <li>*Recommends nomination of board members</li> <li>*Assists with succession planning for executive management positions</li> <li>*Oversee and evaluate board evaluation process</li> <li>*Evaluate composition, organization and governance of board and its committees</li> </ul>	3