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xbrli:pure Table of ContentsUNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549Â FORM 10-QÂ â˜’ Â Â Â Â Â QUARTERLYREPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934Â For the quarterly period ended September 30, 2024Â ORÂ â˜ Â Â Â Â Â TRANSITIONREPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934Â For the transition period from _________ to _________.Â Commission file number: 1-16027Â Â LANTRONIX, INC.(Exact name of registrant as specified in its charter)Â Delaware 33-0362767 (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.) Â 48 Discovery, Suite 250, Irvine, California(Address of principal executive offices)Â 92618(Zip Code)Â (949) 453-3990(Registrantâ€™s telephone number, includingarea code)Â Securities registered pursuant to Section 12(b)of the Act:Â Title of each class Trading Symbol(s) Name of each exchange on which registered Common Stock, $0.0001 par value LTRX The Nasdaq Stock Market LLC Â Indicate by check mark whetherthe registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during thepreceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to suchfiling requirements for the past 90 days. Yes â˜’Â No â˜Â Indicate by check mark whetherthe registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T(Â§â€‰232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required tosubmit such files). Yes â˜’ No â˜Â Indicate by check mark whetherthe registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerginggrowth company. See the definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reportingcompanyâ€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Â Large accelerated filer â˜ Â Accelerated filer â˜’ Non-accelerated filer â˜ Â Smaller reporting company â˜’ Emerging Growth Company â˜ Â Â Â If an emerging growth company, indicateby check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financialaccounting standards provided pursuant to Section 13(a) of the Exchange Act.

â˜Â Indicate by check mark whether theregistrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes â˜ No â˜’Â As of November 1, 2024, there were38,475,343 shares of the registrantâ€™s common stock outstanding.Â Â Â Â Â Â LANTRONIX, INC.Â FORM 10-QFOR THE QUARTERLY PERIOD ENDEDSEPTEMBER 30, 2024Â INDEXÂ Â Â Page Â Â Â Â CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS 3 Â Â Â PART I. FINANCIAL INFORMATION 4 Â Â Â Item 1. Financial Statements 4 Â Â Â Â Unaudited Condensed Consolidated Balance Sheets at September 30, 2024 and June 30, 2024 4 Â Â Â Â Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended September 30, 2024 and 2023 5 Â Â Â Â Unaudited Condensed Consolidated Statements of Stockholdersâ€™ Equity for the Three Months Ended September 30, 2024 and 2023 6 Â Â Â Â Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2024 and 2023 7 Â Â Â Â Notes to Unaudited Condensed Consolidated Financial Statements 8 Â Â Â Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations 21 Â Â Â Item 3. Quantitative and Qualitative Disclosures about Market Risk 28 Â Â Â Item 4. Controls and Procedures 28 Â Â Â PART II. OTHER INFORMATION 30 Â Â Â Item 1. Legal Proceedings 30 Â Â Â Item 1A. Risk Factors 30 Â Â Â Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 46 Â Â Â Item 3. Defaults Upon Senior Securities 46 Â Â Â Item 4. Mine Safety Disclosures 46 Â Â Â Item 5. Other Information 46 Â Â Â Item 6. Exhibits 46 Â Â Â Â 2Â Â Â CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTSÂ This Quarterly Report on Form 10-Q for the three months ended September30, 2024 (the â€œReportâ€) contains forward-looking statements within the meaning of the federal securities laws, which statementsare subject to substantial risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor fromliability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical factincluded in this Report, or incorporated by reference into this Report, are forward-looking statements. Throughout this Report, we haveattempted to identify forward-looking statements by using words such as â€œmay,â€ â€œbelieve,â€ â€œwill,â€â€œcould,â€ â€œproject,â€ â€œanticipate,â€ â€œexpect,â€ â€œestimate,â€ â€œshould,â€â€œcontinue,â€ â€œpotential,â€ â€œplan,â€ â€œforecasts,â€ â€œgoal,â€ â€œseek,â€â€œintend,â€ other forms of these words or similar words or expressions or the negative thereof. Additionally, statements concerningfuture matters such as our expected earnings, revenues, expenses and financial condition, our expectations with respect to the developmentof new products and other statements regarding matters that are not historical are forward-looking statements.Â We have based our forward-looking statements on managementâ€™s currentexpectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-lookingstatements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Forward-looking statements aresubject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performanceto differ materially from our historical results or those expressed or implied in any forward-looking statement contained in this Report.Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differmaterially from our expectations include, but are not limited to, those set forth under â€œRisk Factorsâ€ in Item 1A of PartII of this Report, as such factors may be updated, amended or superseded from time to time by subsequent public filings with the Securitiesand Exchange Commission. In addition, actual results may differ as a result of additional risks and uncertainties of which we are currentlyunaware or which we do not currently view as material to our business.Â You should read this Report in its entirety, togetherwith the documents that we file as exhibits to this Report, with the understanding that our future results may be materially differentfrom what we currently expect and should not place undue reliance on the forward-looking statements contained in this Report. The forward-lookingstatements we make speak only as of the date on which they are made. We expressly disclaim any intent or obligation to update any forward-lookingstatements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations, except asrequired by applicable law or the rules of The Nasdaq Capital Market. If we do update or correct any forward-looking statements, investorsshould not conclude that we will make additional updates or corrections.Â We qualify all of our forward-looking statementsby these cautionary statements.Â Â Â Â 3Â Â Â PART I. FINANCIAL INFORMATIONÂ Item 1. Financial Statements Â LANTRONIX, INC.UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS(In thousands)Â Â Â Â Â Â Â Â Â Â Â Â September 30,Â Â June 30,Â Â Â 2024Â Â 2024Â AssetsÂ Â Â Â Â Â Â Â Current assets:Â Â Â Â Â Â Â Â Cash and cash equivalentsÂ $26,395Â Â $26,237Â Accounts receivable, netÂ Â 30,801Â Â Â 31,279Â Inventories, netÂ Â 29,533Â Â Â 27,698Â Contract manufacturersâ€™ receivablesÂ Â 2,722Â Â Â 1,401Â Prepaid expenses and other current assetsÂ Â 3,169Â Â Â 2,335Â Total current assetsÂ Â 92,620Â Â Â 88,950Â Property and equipment, netÂ Â 3,642Â Â Â 4,016Â GoodwillÂ Â 27,824Â Â Â 27,824Â Intangible assets, netÂ Â 4,000Â Â Â 5,251Â Lease right-of-use assetsÂ Â 9,165Â Â Â 9,567Â Other assetsÂ Â 607Â Â Â 600Â Total assetsÂ $137,858Â Â $136,208Â Â Â Â Â Â Â Â Â Â Liabilities and stockholdersâ€™ equityÂ Â Â Â Â Â Â Â Current liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ $17,149Â Â $10,347Â Accrued payroll and related expensesÂ Â 3,440Â Â Â 5,836Â Current portion of long-term debt, netÂ Â 3,057Â Â Â 3,002Â Other current liabilitiesÂ Â 11,859Â Â Â 10,971Â Total current liabilitiesÂ Â 35,505Â Â Â 30,156Â Long-term debt, netÂ Â 12,409Â Â Â 13,219Â Other non-current liabilitiesÂ Â 11,014Â Â Â 11,478Â Total liabilitiesÂ Â 58,928Â Â Â 54,853Â Â Â Â Â Â Â Â Â Â Commitments and contingencies (Note 8)Â Â -Â Â Â Â Â Â Â Â Â Â Â Â Â Â Stockholdersâ€™ equity:Â Â Â Â Â Â Â Â Common stockÂ Â 4Â Â Â 4Â Additional paid-in capitalÂ Â 304,078Â Â Â 304,001Â Accumulated deficitÂ Â (225,523)Â Â (223,021) Accumulated other comprehensive incomeÂ Â 371Â Â Â 371Â Total stockholdersâ€™ equityÂ Â 78,930Â Â Â 81,355Â Total liabilities and stockholdersâ€™ equityÂ $137,858Â Â $136,208Â Â See accompanying notes to unaudited condensed consolidatedfinancial statements.Â Â Â Â 4Â Â Â LANTRONIX, INC.UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS(In thousands, except per share data) Â Â Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Net revenueÂ $34,423Â Â $33,031Â Cost of revenueÂ Â 19,948Â Â Â 18,934Â Gross profitÂ Â 14,475Â Â Â 14,097Â Operating expenses:Â Â Â Â Â Â Â Â Selling, general and administrativeÂ Â 9,496Â Â Â 9,170Â Research and developmentÂ Â 4,956Â Â Â 5,106Â Restructuring, severance and related chargesÂ Â 900Â Â Â 20Â Fair value remeasurement of earnout considerationÂ Â â€“Â Â Â (9) Amortization of intangible assetsÂ Â 1,251Â Â Â 1,384Â Total operating expensesÂ Â 16,603Â Â Â 15,671Â Loss from operationsÂ Â (2,128)Â Â (1,574) Interest expense, netÂ Â (119)Â Â (338) Other income (expense), netÂ Â (37)Â Â 19Â Loss before income taxesÂ Â (2,284)Â Â (1,893) Provision (benefit) for income taxesÂ Â 218Â Â Â (7) Net lossÂ $(2,502)Â $(1,886) Â Â Â Â Â Â Â Â Â Net loss per share - basic and dilutedÂ $(0.07)Â $(0.05) Â Â Â Â Â Â Â Â Â Weighted-average common shares - basic and dilutedÂ Â 38,024Â Â Â 36,982Â Â See accompanying notes to unaudited condensed consolidatedfinancial statements.Â Â Â Â 5Â Â Â LANTRONIX, INC.UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF

STOCKHOLDERSâ€™EQUITY(In thousands)Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Three Months Ended September 30, 2024Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â AccumulatedÂ Â Â Â Â Â Â Â Â Â Â Â AdditionalÂ Â Â Â Â OtherÂ Â TotalÂ Â Â Common StockÂ Â Paid-InÂ Â AccumulatedÂ Â ComprehensiveÂ Â Stockholdersâ€™Â Â Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â IncomeÂ Â EquityÂ Balance at June 30, 2024Â Â 37,872Â Â $4Â Â $304,001Â Â $(223,021)Â $371Â Â $81,355Â Shares issued pursuant to stock awards, netÂ Â 602Â Â Â â€"Â Â Â 19Â Â Â â€"Â Â Â â€"Â Â Â 19Â Tax withholding paid on behalf of employees for restricted sharesÂ Â â€"Â Â Â â€"Â Â Â (1,542)Â Â â€"Â Â Â â€"Â Â Â (1,542) Share-based compensationÂ Â â€"Â Â Â â€"Â Â Â 1,600Â Â Â â€"Â Â Â â€"Â Â Â 1,600Â Net lossÂ Â â€"Â Â Â â€"Â Â Â â€"Â Â Â (2,502)Â Â â€"Â Â Â (2,502) Balance at September 30, 2024Â Â 38,474Â Â $4Â Â $304,078Â Â $(225,523)Â $371Â Â $78,930Â Â Â Â Â Three Months Ended September 30, 2023Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â AccumulatedÂ Â Â Â Â Â Â Â Â Â Â Â AdditionalÂ Â Â Â Â OtherÂ Â TotalÂ Â Â Common StockÂ Â Paid-InÂ Â AccumulatedÂ Â ComprehensiveÂ Â Stockholdersâ€™Â Â Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â IncomeÂ Â EquityÂ Balance at June 30, 2023Â Â 36,875Â Â $4Â Â $295,686Â Â $(218,505)Â $371Â Â $77,556Â Shares issued pursuant to stock awards, netÂ Â 385Â Â Â â€"Â Â Â 93Â Â Â â€"Â Â Â â€"Â Â Â 93Â Tax withholding paid on behalf of employees for restricted sharesÂ Â â€"Â Â Â â€"Â Â Â (514)Â Â â€"Â Â Â â€"Â Â Â (514) Share-based compensationÂ Â â€"Â Â Â â€"Â Â Â 1,742Â Â Â â€"Â Â Â â€"Â Â Â 1,742Â Net lossÂ Â â€"Â Â Â â€"Â Â Â â€"Â Â Â (1,886)Â Â â€"Â Â Â (1,886) Balance at September 30, 2023Â Â 37,260Â Â $4Â Â $297,007Â Â $(220,391)Â $371Â Â $76,991Â Â See accompanying notes to unaudited condensed consolidatedfinancial statements.Â Â Â Â 6Â Â Â LANTRONIX, INC.UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS(In thousands)Â Â Â Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Operating activitiesÂ Â Â Â Â Â Â Â Net lossÂ $(2,502)Â $(1,886) Adjustments to reconcile net loss to net cash provided by (used in) operating activities:Â Â Â Â Â Â Â Â Share-based compensationÂ Â 1,600Â Â Â 1,742Â Depreciation and amortizationÂ Â 543Â Â Â 528Â Amortization of intangible assetsÂ Â 1,251Â Â Â 1,384Â Amortization of manufacturing profit in acquired inventory associated with acquisitionsÂ Â â€"Â Â Â 317Â Amortization of deferred debt issuance costsÂ Â 24Â Â Â 27Â Fair value remeasurement of earnout considerationÂ Â â€"Â Â Â (9) Changes in operating assets and liabilities, net of assets and liabilities acquired:Â Â Â Â Â Â Â Â Accounts receivableÂ Â 478Â Â Â (2,423) InventoriesÂ Â (1,835)Â Â 3,623Â Contract manufacturersâ€™ receivableÂ Â (1,321)Â Â 2,389Â Prepaid expenses and other current assetsÂ Â (834)Â Â (233) Lease right-of-use assetsÂ Â 481Â Â Â 481Â Other assetsÂ Â (7)Â Â 11Â Accounts payableÂ Â 6,790Â Â Â (3,591) Accrued payroll and related expensesÂ Â (2,396)Â Â 108Â Other liabilitiesÂ Â 391Â Â Â 5,030Â Net cash provided by operating activitiesÂ Â 2,663Â Â Â 7,498Â Investing activitiesÂ Â Â Â Â Â Â Â Purchases of property and equipmentÂ Â (157)Â Â (486) Net cash used in investing activitiesÂ Â (157)Â Â (486) Financing activitiesÂ Â Â Â Â Â Â Â Net proceeds from issuances of common stockÂ Â 19Â Â Â 93Â Tax withholding paid on behalf of employees for restricted sharesÂ Â (1,542)Â Â (514) Payment of borrowings on term loanÂ Â (779)Â Â (518) Payment of lease liabilitiesÂ Â (46)Â Â (46) Net cash used in financing activitiesÂ Â (2,348)Â Â (985) Increase in cash and cash equivalentsÂ Â 158Â Â Â 6,027Â Cash and cash equivalents at beginning of periodÂ Â 26,237Â Â Â 13,452Â Cash and cash equivalents at end of periodÂ $26,395Â Â $19,479Â Â See accompanying notes to unaudited condensed consolidatedfinancial statements.Â Â Â Â 7Â Â Â LANTRONIX, INC.NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIALSTATEMENTSSeptember 30, 2024Â Â 1. Company and Significant Accounting Policies Â CompanyÂ Lantronix, Inc., which we refer to herein as the Company, Lantronix, we,our, or us, is a global leader in compute and connectivity solutions, targeting high-growth industries such as Smart Cities, Automotive,and Enterprise markets. Our products and services empower companies to capitalize on the expanding internet of things (â€œIoTâ€)market by delivering customizable solutions that address each layer of the IoT stack.Â Â Â Basis of PresentationÂ The accompanying unaudited condensed consolidated financial statementsof Lantronix have been prepared in accordance with United States generally accepted accounting principles (â€œU.S. GAAPâ€) forinterim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Securities and Exchange Commission(â€œSECâ€) Regulation S-X. Accordingly, they should be read in conjunction with the audited consolidated financial statementsand notes thereto for the fiscal year ended June 30, 2024, included in our Annual Report on Form 10-K for the fiscal year ended June 30,2024, which was filed with the SEC on September 9, 2024. The unaudited condensed consolidated financial statements contain all normalrecurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the consolidated financial positionof Lantronix at September 30, 2024, the consolidated results of our operations for the three months ended September 30, 2024 and our consolidatedcash flows for the three months ended September 30, 2024. All intercompany accounts and transactions have been eliminated.Â Significant Accounting PoliciesÂ Use of EstimatesÂ The preparation of condensed consolidated financial statements in conformitywith U.S. GAAP requires management to make estimates and assumptions that affectÂ the reported amounts of assets and liabilities anddisclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amountsof revenues and expenses during the reporting period. Accounting measurements at interim dates inherently involve greater reliance onestimates than at year-end.Â The results of operations for the three months ended September 30, 2024are not necessarily indicative of the results to be expected for the full year or any future interim periods.Â Recent Accounting PronouncementsÂ Disaggregated Expenses DisclosuresÂ In November 2024, the Financial Accounting Standards Board (â€œFASBâ€)issued final guidance requiring public business entities to disclose, on an annual and interim basis, disaggregated information aboutcertain income statement expense line items. The required information includes purchases of inventory, employee compensation, depreciation,intangible asset amortization and depletion. The standard will be effective for Lantronix beginning with our annual financial statementsfor the fiscal year ending June 30, 2028. We have not yet determined the impact of adopting this guidance on our financial statements.Â Income Tax DisclosuresÂ In December 2023, the FASBissued a final standard on improvements to income tax disclosures. The new standard requires disaggregated information about a companyâ€™seffective tax rate reconciliation and information on income taxes paid. The standard will be effective for Lantronix beginning with ourannual financial statements for the fiscal year ending June 30, 2026. We have not yet determined the impact of adopting this guidanceon our financial statements.Â Â Â Â 8Â Â Â Segment DisclosuresÂ In November 2023, the FASB issued a new Accounting Standards Update (â€œASUâ€)requiring incremental disclosures related to a public companyâ€™s reportable segments. The new guidance was issued primarily to providefinancial statement users with more disaggregated expense information about a companyâ€™s reportable segments. The guidance does notchange the definition of a segment, the method for determining segments, or the criteria for aggregating operating segments into reportablesegments. The guidance is effective for Lantronix on a retrospective basis beginning with our annual financial statements for the fiscalyear ending

June 30, 2025. We are evaluating this guidance and currently do not anticipate its adoption to materially impact our financialstatements.Â Â 2. Revenue Â Revenue is recognized upon the transfer of control of promised productsor services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.We apply the following five-step approach in determining the amount and timing of revenue to be recognized: (i)Â identifying the contractwith a customer, (ii)Â identifying the performance obligations in the contract, (iii)Â determining the transaction price, (iv)Â allocatingthe transaction price to the performance obligations in the contract and (v)Â recognizing revenue when the performance obligationis satisfied. On occasion we enter into contracts that can include various combinations of products and services, which are generallycapable of being distinct and accounted for as separate performance obligations.Â Revenue is recognized exclusive of (i) any taxes collected from customers,which are subsequently remitted to governmental authorities and (ii) shipping and handling costs collected from customers.Â ProductsÂ Most of our product revenue is recognized as a distinct single performanceobligation when products are tendered to a carrier for delivery, which represents the point in time that our customer obtains controlof the promised products. A smaller portion of our product revenue is recognized when our customer receives delivery of the promised products.Â A significant portion of our products are sold to distributors under agreementswhich contain (i) limited rights to return unsold products and (ii) price adjustment provisions, both of which are accounted for as variableconsideration when estimating the amount of revenue to recognize. We base our estimates for returns and price adjustments primarily onhistorical experience; however, we also consider contractual allowances, approved pricing adjustments and other known or anticipated returnsand price adjustments in a given period. Such estimates are generally made at the time of shipment to the customer and updated at theend of each reporting period as additional information becomes available and only to the extent that it is probable that a significantreversal of any incremental revenue will not occur. Our estimates of accrued variable consideration are included in other current liabilitiesin the accompanying unaudited condensed consolidated balance sheets.Â ServicesÂ Revenues from our extended warranty, technical support and maintenanceservices are generally recognized ratably over the applicable service period. Although not significant to date, revenues from sales ofour software-as-a-service (â€œSaaSâ€) solutions are recognized ratably over the applicable service period as well.Â We prepay sales commissions related to certain of these contracts, whichare incremental costs of obtaining the contract. We capitalize these costs and expense them ratably on a straight-line basis over thelife of the contract. At September 30, 2024, prepaid sales commissions included in prepaid expenses and other current assets totaled $254,000and those included in other assets totaled $186,000.Â Â Â Â 9Â Â Â Engineering ServicesÂ We derive a portion of our revenues from engineering and related consultingservice contracts with customers. Revenues from professional engineering services are generally recognized as services are performed.These contracts generally include performance obligations in which control is transferred over time because the customer either simultaneouslyreceives and consumes the benefits provided or our performance on the contract creates or enhances an asset that the customer controls.These contracts typically provide services on the following basis:Â Â Â· Time & Materials (â€œT&Mâ€) â€“ services consist of revenues from software modification, consulting implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary depending on the actual time and materials incurred based on the customerâ€™s needs. Â Â Â Â Â· Fixed Price â€“ arrangements to render specific consulting and software modification services which tend to be more complex. Â Performance obligations for T&M contracts qualify for the â€œRightto Invoiceâ€ practical expedient within the revenue guidance. Under this practical expedient, we may recognize revenue, over time,in the amount to which we have a right to invoice. In addition, we are not required to estimate variable consideration upon inceptionof the contract and reassess the estimate each reporting period. We have determined that this method best represents the transfer of servicesas, upon billing, we have a right to consideration from a customer in an amount that directly corresponds with the value to the customerof our performance completed to date.Â We recognize revenue on fixed price contracts, over time, using an inputmethod based on the proportion of our actual costs incurred (generally labor hours expended) to the total costs expected to complete thecontract performance obligation. We have determined that this method best represents the transfer of services as the proportion closelydepicts the efforts or inputs completed towards the satisfaction of a fixed price contract performance obligation.Â Multiple Performance ObligationsÂ From time to time, we may enter into contracts with customers that includepromises to transfer multiple deliverables that may include sales of products, professional engineering services and other product qualificationor certification services. Determining whether the deliverables in such arrangements are considered distinct performance obligations thatshould be accounted for separately versus together often requires judgment. We consider performance obligations to be distinct when thecustomer can benefit from the promised good or service on its own or by combining it with other resources readily available and when thepromised good or service is separately identifiable from other promised goods or services in the contract. In such arrangements, we allocaterevenue on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling pricefor each performance obligation.Â Net Revenue by Product Line and Geographic RegionÂ We organize our products and solutions into three product lines: EmbeddedIoT Solutions, IoT System Solutions, and Software & Services. Our Embedded IoT products are normally embedded into new designs. Theseproducts include application processing that delivers compute to meet customer needs for data transformation, computer vision, machinelearning, augmented / virtual reality, audio / video aggregation and distribution, and custom applications at the edge. Our IoT Systemproducts include wired and wireless connections that enhance the value and utility of modern electronic systems and equipment by providingsecure network connectivity, power for IoT end devices through Power over Ethernet (â€œPoEâ€), application hosting, protocolconversion, media conversion, secure access for distributed IoT deployments and many other functions. Our Software & Services productscan be classified as either (i) our SaaS platform, which enables customers to easily deploy, monitor, manage, and automate across theirglobal deployments, all from a single platform login, virtually connected as though directly on each device, (ii) engineering services,which is a flexible business model that allows customers to select from turnkey product development or team augmentation for acceleratingcomplex areas of product development or (iii) extended warranty, support and maintenance.Â Â Â Â 10Â Â Â We conduct our business globally and manage our sales teams by three geographicregions: the Americas; Europe, Middle East, and Africa (â€œEMEAâ€); and Asia Pacific Japan (â€œAPJâ€).Â The following tables present our net revenue by product line and by geographicregion. We present net revenues by geographic region generally based on the â€œship-toâ€ location of our customers for productsales and the â€œbill-toâ€ location for services. Schedule of net revenue by product linesÂ Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Embedded IoT SolutionsÂ $13,387Â Â $11,373Â IoT System SolutionsÂ Â 18,759Â Â Â 19,036Â Software & ServicesÂ Â 2,277Â Â Â 2,622Â Â Â $34,423Â Â $33,031Â

Â Schedule of net revenue by geographic regionÂ Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â AmericasÂ $17,420Â Â $22,933Â EMEAÂ Â 10,484Â Â Â 6,591Â Asia Pacific JapanÂ Â 6,519Â Â Â 3,507Â Â Â $34,423Â Â $33,031Â Â The following table presents product revenues and service revenues asa percentage of our total net revenue: Schedule of percentage of our total net revenuesÂ Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â Â Â Product revenuesÂ Â 93%Â Â Â 93%Â Service revenuesÂ Â 7%Â Â Â 7%Â Â Service revenues are comprised primarily of professional services, softwarelicense subscriptions, and extended warranties.Â Contract BalancesÂ In certain instances, the timing of revenue recognition may differ fromthe timing of invoicing to our customers. We record a contract asset receivable when revenue is recognized prior to invoicing, and a contractor deferred revenue liability when revenue is recognized subsequent to invoicing. With respect to product shipments, we expect to fulfillcontract obligations within one year and so we have elected not to separately disclose the amount nor the timing of recognition ofthese remaining performance obligations. For contract balances related to contracts that include services and multiple performance obligations,refer to the deferred revenue discussion below.Â Â Â Â 11Â Â Â Deferred RevenueÂ Deferred revenue is primarily comprised of unearned revenue related toour extended warranty, support and maintenance services and certain software services. These services are generally invoiced at the beginningof the contract period and revenue is recognized ratably over the service period. Current and non-current deferred revenue balances representrevenue allocated to the remaining unsatisfied performance obligations at the end of a reporting period and are respectively includedin other current liabilities and other non-current liabilities in the accompanying unaudited condensed consolidated balance sheets.Â The following table presents the changes in our deferred revenue balancefor the three months ended September 30, 2024 (in thousands): Schedule of changes in deferred revenueÂ Â Â Â Balance, June 30, 2024Â $5,753Â New performance obligationsÂ Â 878Â Recognition of revenue from satisfying performance obligationsÂ Â (1,188) Balance, September 30, 2024Â Â 5,443Â Less: non-current portion of deferred revenueÂ Â (2,564) Current portion, September 30, 2024Â $2,879Â Â We currently expect to recognize substantially all of the non-current portionof deferred revenue over the next 2 to 5 years.Â Â 3. Supplemental Financial Information Â Inventories Schedule of inventoriesÂ Â Â Â Â Â Â Â Â Â September 30,Â Â June 30,Â Â Â 2024Â Â 2024Â Â Â (In thousands)Â Finished goodsÂ $16,228Â Â $14,167Â Raw materialsÂ Â 13,305Â Â Â 13,531Â InventoriesÂ $29,533Â Â $27,698Â Â Â Â Â 12Â Â Â Other LiabilitiesÂ The following table presents details of our other liabilities: Schedule of other liabilitiesÂ Â Â Â Â Â Â Â Â Â September 30,Â Â June 30,Â Â Â 2024Â Â 2024Â Â Â (In thousands)Â CurrentÂ Â Â Â Â Â Accrued variable considerationÂ $2,279Â Â $1,796Â Customer deposits and refundsÂ Â 264Â Â Â 436Â Accrued raw materials purchasesÂ Â 227Â Â Â 126Â Deferred revenueÂ Â 2,879Â Â Â 3,017Â Lease liabilityÂ Â 1,689Â Â Â 1,767Â Taxes payableÂ Â 667Â Â Â 772Â Warranty reserveÂ Â 848Â Â Â 840Â Other accrued operating expensesÂ Â 3,006Â Â Â 2,217Â Total other current liabilitiesÂ $11,859Â Â $10,971Â Â Â Â Â Â Â Â Â Â Non-currentÂ Â Â Â Â Â Â Â Lease liabilityÂ $8,202Â Â $8,563Â Deferred tax liabilityÂ Â 248Â Â Â 179Â Deferred revenueÂ Â 2,564Â Â Â 2,736Â Total other non-current liabilitiesÂ $11,014Â Â $11,478Â Â Computation of Net Loss per ShareÂ Basic and diluted net loss per share is calculated by dividing netloss by the weighted-average number of common shares outstanding during the applicable period.Â The following table presents the computation of net loss per share: Schedule of computation of net per shareÂ Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands, except per share data)Â Numerator:Â Â Â Â Â Â Net lossÂ $(2,502)Â $(1,886) Denominator:Â Â Â Â Â Â Â Â Weighted-average common shares outstanding - basic and dilutedÂ Â 38,024Â Â Â 36,982Â Â Â Â Â Â Â Â Â Â Net loss per share - basic and dilutedÂ $(0.07)Â $(0.05) Â Â Â Â 13Â Â Â The following table presents the common stock equivalents excluded fromthe diluted net loss per share calculation, because they were anti-dilutive for the periods presented. These excluded common stock equivalentscould be dilutive in the future. Schedule of anti dilutive securitiesÂ Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Common stock equivalentsÂ Â 621Â Â Â 667Â Â Intangible AssetsÂ The following table presents details of intangibleassets: Schedule of intangible assetsÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â September 30, 2024Â Â June 30, 2024Â Â Â Gross Carrying AmountÂ Â Accumulated AmortizationÂ Â Net Book ValueÂ Â Gross Carrying AmountÂ Â Accumulated AmortizationÂ Â Net Book ValueÂ Â Â (In thousands)Â Developed technologyÂ $6,331Â Â $(5,587)Â $744Â Â $6,331Â Â $(5,293)Â $1,038Â Customer relationshipsÂ Â 17,528Â Â Â (14,272)Â Â 3,256Â Â Â 17,528Â Â Â (13,315)Â Â 4,213Â Â Â $23,859Â Â $(19,859)Â $4,000Â Â $23,859Â Â $(18,608)Â $5,251Â Â We do not currently have any intangible assets withindefinite useful lives.Â As of September 30, 2024, future estimated amortizationexpense is as follows: Schedule of future estimated amortization expenseÂ Â Â Â Years Ending June 30,Â Â Â (In thousands)Â Â Â 2025 (remainder)Â $2,433Â 2026Â Â 1,177Â 2027Â Â 326Â 2028Â Â 64Â Total future amortizationÂ $4,000Â Â Restructuring, Severance and Related ChargesÂ During the three months ended September 30, 2024, we incurred chargesof approximately $900,000 related to certain headcount reductions in our sales, engineering, and operations groups. We may incur additionalcharges in future periods as we identify additional cost savings and efficiencies related to our business.Â The following table presents details of the liability we recorded relatedto restructuring, severance and related activities: Schedule of severance and related chargesÂ Â Â Â Â Â Three Months EndedÂ Â Â September 30,Â Â Â 2024Â Â Â (In thousands)Â Beginning balanceÂ $253Â ChargesÂ Â 900Â PaymentsÂ Â (754) Ending balanceÂ $399Â Â These balances are recorded in accrued payroll and related expenses inthe accompanying unaudited condensed consolidated balance sheets.Â Â Â Â Â 14Â Â Â Supplemental Cash Flow InformationÂ The following table presents non-cash investing transactions excludedfrom the accompanying unaudited condensed consolidated statements of cash flows: Schedule of non-cash investing transactionsÂ Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Accrued property and equipment paid for in the subsequent periodÂ $12Â Â $339Â Â 4. Warranty Reserve Â The standard warranty periods we provide for our products typically rangefrom one to five years. Certain products carry a limited lifetime warranty, which requires us to repair or replace a defective productor offer a refund of a portion of the purchase price based on a depreciated value at our option. We establish reserves for estimated productwarranty costs at the time revenue is recognized based upon our historical warranty experience, and for any known or anticipated productwarranty issues.Â The following table presents details of our warranty reserve, which isincluded in other current liabilities in the unaudited condensed consolidated balance sheets: Schedule of warranty reserveÂ Â Â Â Â Â Â Â Â Â Three Months EndedÂ Â Year EndedÂ Â Â September 30,Â Â June 30,Â Â Â 2024Â Â 2024Â Â Â (In thousands)Â Beginning balanceÂ $840Â Â $788Â Charged to cost of revenueÂ Â 130Â Â Â 376Â UsageÂ Â (122)Â Â (324) Ending balanceÂ $848Â Â $840Â Â 5. Bank Loan Agreements Â In September 2022 we entered into a Third Amendmentto the Third Amended and Restated Loan and Security Agreement (the â€œAmendmentâ€) with Silicon Valley Bank (â€œSVBâ€),pertaining to our existing term loan and revolving credit facility (together, the â€œSenior Credit Facilitiesâ€), which amendsthat certain Third Amended and Restated Loan and Security Agreement, dated as of August 2, 2021, as amended by the First Amendment toThird Amended and Restated Loan and Security Agreement, dated as of October 21, 2021, as amended by the Second Amendment to Third Amendedand Restated Loan and Security Agreement, dated as of February 15, 2022 by and among Lantronix and SVB (collectively with the Amendment,the â€œLoan Agreementâ€).Â The Amendment, among other things, provided for an additional term loanin the original principal amount of $5,000,000 that was originally scheduled to mature on August 2, 2025. The Senior Credit Facilitiesbears interest at Term Secured Overnight Financing Rate (â€œSOFRâ€) or the PrimeRate, at the option of Lantronix, plus a margin that ranges from 3.10% to 4.10% in the case of Term SOFR and 1.50% to 2.50% in the caseof the Prime Rate, depending on our total leverage with a Term SOFR floor of 1.50% and a Prime Rate floor of 3.25%. The Amendment reducedthe minimum liquidity requirement from $5,000,000 to $4,000,000. As a condition to entering into the Amendment, we were obligated to paya nonrefundable facility increase fee in the amount of $25,000. The Senior Credit Facilities are secured by substantially all of our assets.Â Â Â Â Â 15Â Â Â In April 2023, we entered into a Letter Agreement (the â€œLetter Agreementâ€)with SVB, which, among other matters, amended the Loan Agreement to reduce the former requirement to hold 85% of our company-wide cashbalances at SVB to 50%, and provided a waiver of any event of default under the Loan Agreement for any failure to comply with this covenantprior to the date of the Letter Agreement.Â In September 2024, we entered into a Fourth Amendment to our Loan Agreement,pursuant to which the maturity of our Senior Credit Facilities was extended from August 2, 2025 to August 2, 2026.Â The following table summarizes our outstanding debt under the Senior CreditFacilities: Summary of outstanding debtÂ Â Â Â Â Â Â Â Â Â September 30,Â Â June 30,Â Â Â 2024Â Â 2024Â Â Â (In thousands)Â Outstanding borrowings on term loanÂ $15,563Â Â $16,341Â Less: Unamortized debt issuance costsÂ Â (97)Â Â (120) Net Carrying amount of debtÂ Â 15,466Â Â Â 16,221Â Less: Current portionÂ Â (3,057)Â Â (3,002) Non-current portionÂ $12,409Â Â $13,219Â Â During the three months ended September 30, 2024, we recognized $380,000of interest expense in the accompanying unaudited condensed consolidated statements of operations related to interest and amortizationof debt issuance associated with the borrowings under the Senior Credit Facilities.Â Financial CovenantsÂ The Senior Credit Facilities require Lantronix to comply with a minimumliquidity test, a maximum leverage ratio and a minimum fixed charge coverage ratio. We are currently in compliance with all financialcovenants.Â LiquidityÂ The Senior Credit Facilities require that we maintain a minimum liquidityof $4,000,000 at SVB, as measured at the end of each month.Â Maximum leverage ratioÂ The Senior Credit Facilities require that we maintaina maximum leverage ratio, calculated as the ratio of funded debt to the consolidated trailing 12 month earnings before interest, taxes,depreciation and amortization, and certain other allowable exclusions of (i) 2.50 to 1.00 for each calendar quarter ending June 30, 2021through and including September 30, 2022, (ii) 2.25 to 1.00 for each calendar quarter ending December 31, 2022 through and including September30, 2023, and (iii) 2.00 to 1.00 for the calendar quarter ending December 31, 2023 and each calendar quarter thereafter.Â Â Â Â 16Â Â Â Minimum fixed charge coverage ratioÂ The Senior Credit Facilities require that we maintaina minimum fixed charge coverage ratio, calculated as the ratio of consolidated trailing 12 month earnings before interest, taxes, depreciationand amortization, and certain other allowable exclusions, less capital expenditures and taxes paid, to the trailing twelve month principaland interest payments on all funded debt of 1.25 to 1.00 as measured at the end of each calendar quarter.Â In addition, the Senior Credit Facilities containcustomary representations and warranties, affirmative and negative covenants, including covenants that limit or restrict Lantronix andits subsidiariesâ€™ ability to incur liens, incur indebtedness, dispose of assets, make investments, make certain restricted payments,merge or consolidate and enter into certain speculative hedging arrangements. The Senior Credit Facilities include a number of eventsof default, including, among other things, non-payment defaults, covenant defaults, cross-defaults to other materials indebtedness, bankruptcyand insolvency defaults and material judgment defaults. If any event of default occurs (subject, in certain instances, to specified graceperiods), the principal, premium, if any, interest and any other monetary obligations on all the then outstanding amounts under the SeniorCredit Facilities may become due and payable immediately.Â 6. Stockholdersâ€™ Equity Â Â Restricted Stock Units (â€œRSUsâ€)Â The following table presents a summary of activity with respect to ourRSUs: Schedule of RSU activityÂ Â Â Â Â Â Â Â Â Â Â Â Â Weighted-Â Â Â Â Â Â AverageÂ Â Â Â Â Â Grant DateÂ Â Â Number ofÂ Â Fair ValueÂ Â Â SharesÂ Â per ShareÂ Â Â (In thousands)Â Â Â Â Balance of RSUs outstanding at June 30, 2024Â Â 1,881Â Â $4.89Â GrantedÂ Â 464Â Â Â 3.63Â ForfeitedÂ Â (136)Â Â 4.42Â VestedÂ Â (270)Â Â 4.91Â Balance of RSUs outstanding at September 30, 2024Â Â 1,939Â Â $4.62Â Â Performance Stock Units (â€œPSUsâ€)Â The following table presents a summary of activity with respect to ourPSUs: Schedule of PSU activityÂ Â Â Â Â Â Number of SharesÂ Â Â (In thousands)Â Balance of PSUs outstanding at June 30, 2024Â Â 1,669Â GrantedÂ Â 539Â ForfeitedÂ Â (377) VestedÂ Â (669) Balance of PSUs outstanding at September 30, 2024Â Â 1,162Â Â Â Â Â 17Â Â Â Stock OptionsÂ The following table presents a summary of activity with respect to ourstock options: Schedule of option activityÂ Â Â Â Â Â Â Â Â Â Â Â Â Weighted-Â Â Â Â Â Â AverageÂ Â Â Number ofÂ Â Exercise PriceÂ Â Â SharesÂ Â per ShareÂ Â Â (In thousands)Â Â Â Â Balance of options outstanding at June 30, 2024Â Â 567Â Â $4.13Â ExpiredÂ Â (11)Â Â 2.16Â ExercisedÂ Â (230)Â Â 3.36Â Balance of options outstanding at September 30, 2024Â Â 326Â Â $4.75Â Â Employee Stock Purchase Plan (â€œESPPâ€)Â The following table presents a summary of activity under our ESPP: Schedule of employee stock purchase planÂ Â Â Â Â Â Number ofÂ Â Â SharesÂ Â Â (In thousands)Â Shares available for issuance at June 30, 2024Â Â 181Â Shares issuedÂ Â â€"Â Shares available for issuance at September 30, 2024Â Â 181Â Â Share-Based Compensation ExpenseÂ The following table presents a summary of share-based compensation expenseincluded in each applicable functional line item on our accompanying unaudited condensed consolidated statements of operations: Schedule of share-based compensation expenseÂ Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Â Â (In thousands)Â Cost of revenueÂ $64Â Â $41Â Selling, general and administrativeÂ Â 1,126Â Â Â 1,273Â Research and developmentÂ Â 410Â Â Â 428Â Total share-based compensation expenseÂ $1,600Â Â $1,742Â Â Â Â Â 18Â Â Â The following table presents the remaining unrecognized share-based compensationexpense related to our outstanding share-based awards as of September 30, 2024: Schedule of unrecognized share-based compensation expenseÂ Â Â Â Â Â Â Â Â Â RemainingÂ Â RemainingÂ Â Â UnrecognizedÂ Â Weighted-Â Â Â CompensationÂ Â Average YearsÂ Â Â ExpenseÂ Â To RecognizeÂ Â Â (In thousands)Â Â Â Â Stock optionsÂ $188Â Â Â 1.9Â RSUsÂ Â 7,560Â Â Â 2.2Â PSUsÂ Â 4,151Â Â Â 2.4Â Stock purchase rights under ESPPÂ Â 35Â Â Â 0.1Â Â Â $11,934Â Â Â Â Â Â If there are any modifications or cancellations of the underlying unvestedshare-based awards, we may be required to accelerate, increase or cancel remaining unearned share-based compensation expense. Future share-basedcompensation expense and unearned share-based compensation will increase to the extent that we grant additional share-based awards.Â 7.

Income Taxes Â We utilize the liability method of accounting for income taxes. The followingtable presents our effective tax rates based upon our provision for income taxes for the periods shown: Schedule of effective income tax rate reconciliationÂ Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â 2024Â Â 2023Â Effective tax rateÂ Â 10%Â Â Â 0%Â Â The difference between our effective tax rates in the periods presentedabove and the federal statutory rate is primarily due to (i) a tax benefit from our domestic losses being recorded with a full valuationallowance, (ii) our current estimates of pre-tax profitability for the full fiscal year and (iii) the effect of foreign earnings taxedat rates differing from the federal statutory rate.Â We have a net deferred tax liability of $248,000 and $179,000 at September30, 2024 and June 30, 2024, respectively. This balance represents the excess of our indefinite-lived deferred tax liabilities over ourindefinite-lived deferred tax assets and is recorded in other non-current liabilities on the accompanying unaudited condensed consolidatedbalance sheets.Â The realization of deferred tax assets is dependent upon the generationof future taxable income. As required by Accounting Standards Codification Topic 740, we have evaluated the positive and negative evidencebearing upon our ability to realize our deferred tax assets. We have determined that it was more likely than not that Lantronix wouldnot realize the deferred tax assets due to our cumulative losses and uncertainty of generating future taxable income and have thereforeprovided a full valuation allowance against our deferred tax assets as of September 30, 2024 and June 30, 2024.Â Â Â Â 19Â Â Â 8. Commitments and Contingencies Â From time to time, we are subject to legal proceedings and claimsin the ordinary course of business. We are currently not aware of any such legal proceedings or claims that we believe will have, individuallyor in the aggregate, a material adverse effect on our business, prospects, financial position, operating results or cash flows. We maintaininsurance policies for settlements and judgments, as well as legal defense costs, although the amount of insurance coverage that we maintainmay not be adequate to cover all claims or liabilities that may arise. In addition, provisions of the Companyâ€™s Certificate of Incorporation,Bylaws and indemnification agreements entered into with current and former directors and officers require us, among other things, to indemnifythese directors and officers against certain liabilities that may arise by reason of their status or service as directors or officersand to advance expenses to such directors or officers in connection therewith.Â 9. Subsequent Events Â On November 7, 2024, we signed a definitive agreement to acquire fromNetComm Wireless Pty Ltd (â€œNetCommâ€), a subsidiary of DZS, Inc., all of the assets of the enterprise IoT business for $6,500,000in cash together with assumptions of certain liabilities. The closing of the acquisition is subject to certain conditions. The transactionis expected to close during our second fiscal quarter ending December 31, 2024.Â Â 20Â Â Â Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations Â The following discussion and analysis of our financial condition andresults of operations should be read together with our unaudited condensed consolidated financial statements and the related notes includedin Part I, Item 1 of this Quarterly Report on Form 10-Q for the three months ended September 30, 2024 (this â€œReportâ€). Thisdiscussion and analysis contains forward-looking statements that are based on our current expectations and reflect our plans, estimatesand anticipated future financial performance. See the section of this Report entitled â€œCautionary Note Regarding Forward-Looking Statementsâ€ for additional information. These statements involve numerous risks and uncertainties. Our actual results may differmaterially from those expressed or implied by these forward-looking statements as a result of many factors, including those set forthin â€œRisk Factorsâ€ in Part II, Item 1A of this Report.Â Unless otherwise indicated by the context, allreferences to the â€œCompanyâ€, â€œLantronixâ€, â€œweâ€, â€œusâ€, and â€œourâ€ in this QuarterlyReport on Form 10-Q include Lantronix, Inc. and its consolidated subsidiaries.Â OverviewÂ Lantronix, Inc. is a global leader in compute and connectivity solutions,targeting high-growth industries such as Smart Cities, Automotive, and Enterprise markets. Our products and services empower companiesto capitalize on the expanding internet of things (â€œIoTâ€) market by delivering customizable solutions that address each layerof the IoT stack.Â We conduct our business globally and manage our sales teams by three geographicregions: the Americas; Europe, Middle East, and Africa (â€œEMEAâ€); and Asia Pacific Japan (â€œAPJâ€).Â Â Products and Solutions OverviewÂ We organize our portfolio services and products into the following productlines: Embedded IoT Modules, IoT Systems Solutions, and Software and Engineering Services.Â Embedded IoT ModulesÂ Our portfolio of embedded products provides a comprehensive range of options,including Compute System-on-Module (â€œSOMâ€) and System-in-Package (â€œSIPâ€) solutions, complemented by wired andwireless network connectivity products. As the level of silicon integration continues to advance, our compute modules offer the capabilityto collect, analyze, and interpret digital information (e.g., Video, Audio or Sensor data) using specialized artificial intelligence (â€œAIâ€)/machinelearning algorithms.Â IoT System SolutionsÂ Our IoT Systems Solutions portfolio offers a wide range of fully functionalstandalone systems that provide routing, switching or gateway functionalities as well as telematics and media conversion. These productsinclude wired and wireless connections that enhance the value and utility of modern electronic systems and equipment by providing securenetwork connectivity, power for IoT end devices through Power over Ethernet (â€œPoEâ€), application hosting, protocol conversion,media conversion, secure access for distributed IoT deployments and many other functions. By offering pre-certified products across multipleregions, Lantronix significantly reduces original equipment manufacturer customersâ€™ regulatory certification costs and speeds uptheir time-to-market.Â Â Â Â 21Â Â Â Software and ServicesÂ Our SaaS platform offers comprehensive single-pane-of-glass managementfor out-of-band (â€œOOBâ€) and IoT deployments. Our platform enables customers to easily deploy, monitor, manage and automateacross their global deployments, all from a single platform login, virtually and seamlessly connected as if located directly on each device.Our platform eliminates the need to have 24/7 personnel on site and makes it easy to observe and address issues quickly, even in large-scaledeployments.Â We leverage our deep engineering expertise and product development bestpractices to deliver high-quality, innovative products cost-effectively and on schedule. Our engineering services model is flexible, offeringeither turnkey product development or team augmentation to accelerate complex product development challenges, such as camera tuning, voicecontrol, machine learning, AI, computer vision, augmented/virtual reality, and more.Â We also provide extended warranty, support and maintenance services relatedto our OOB and certain other product families.Â Recent Accounting PronouncementsÂ Refer to Note 1 of Notes to Unaudited Condensed Consolidated FinancialStatements, included in Part I, Item 1 of this Report, which is incorporated herein by reference, for a discussion of recent accountingpronouncements.Â Critical Accounting Policies and EstimatesÂ The accounting policies that have the greatest impact on our financialcondition and results of operations and that require the most judgment are those relating to revenue recognition, sales returns and allowances,inventory valuation, restructuring charges, valuation of deferred income taxes, business combinations, valuation of goodwill and long-livedand intangible assets, stock-based compensation, litigation and other contingencies. These policies are described in further detail inour Annual Report on Form 10-K for the year ended June 30, 2024 and filed with the Securities and

Exchange Commission (the â€œSECâ€)on September 9, 2024 (the â€œForm 10-Kâ€) and have not changed significantly during the three months ended September 30, 2024as compared to what was previously disclosed in the Form 10-K.Â Results of Operations â€“ Three Months EndedSeptember 30, 2024 Compared to the Three Months Ended September 30, 2023Â SummaryÂ In the three months ended September 30, 2024, our net revenue increasedby $1,392,000 or 4.2%, compared to the three months ended September 30, 2023. The increase in net revenue was driven by a 17.7% increasein net revenue in our Embedded IoT Solutions product line, partially offset by a 13.2% decrease in net revenue in our Software & Servicesproduct line and a 1.5% decrease in our IoT System Solutions product line. We had a net loss of $2,502,000 for the three months endedSeptember 30, 2024 compared to a net loss of $1,886,000 for the three months ended September 30, 2023. The increase in net loss was primarilydriven by an increase in operating expenses of $932,000 for the three months ended September 30, 2024 compared to the three months endedSeptember 30, 2023, which mostly related to an increase in restructuring and severance charges. These changes were partially offset bythe increase in revenue.Â Â Â Â 22Â Â Â Net RevenueÂ The following tables present our net revenue by productline and by geographic region:Â Â Â Three Months Ended September 30,Â Â Â Â Â Â Â Â Â Â Â Â % of NetÂ Â Â Â Â % of NetÂ Â ChangeÂ Â Â 2024Â Â RevenueÂ Â 2023Â Â RevenueÂ Â $Â Â %Â Â Â (In thousands, except percentages)Â Embedded IoT SolutionsÂ $13,387Â Â Â 38.9%Â Â $11,373Â Â Â 34.4%Â Â $2,014Â Â Â 17.7%Â IoT System SolutionsÂ Â 18,759Â Â Â 54.5%Â Â Â 19,036Â Â Â 57.6%Â Â Â (277)Â Â (1.5%) Software & ServicesÂ Â 2,277Â Â Â 6.6%Â Â Â 2,622Â Â Â 8.0%Â Â Â (345)Â Â (13.2%) Â Â $34,423Â Â Â 100.0%Â Â $33,031Â Â Â 100.0%Â Â $1,392Â Â Â 4.2%Â Â Â Â Three Months Ended September 30,Â Â Â Â Â Â Â Â Â Â Â Â % of NetÂ Â Â Â Â % of NetÂ Â ChangeÂ Â Â 2024Â Â RevenueÂ Â 2023Â Â RevenueÂ Â $Â Â %Â Â Â (In thousands, except percentages)Â AmericasÂ $17,420Â Â Â 50.6%Â Â $22,933Â Â Â 69.4%Â Â $(5,513)Â Â (24.0%) EMEAÂ Â 10,484Â Â Â 30.5%Â Â Â 6,591Â Â Â 20.0%Â Â Â 3,893Â Â Â 59.1%Â APJÂ Â 6,519Â Â Â 18.9%Â Â Â 3,507Â Â Â 10.6%Â Â Â 3,012Â Â Â 85.9%Â Â Â $34,423Â Â Â 100.0%Â Â $33,031Â Â Â 100.0%Â Â $1,392Â Â Â 4.2%Â Â Embedded IoT SolutionsÂ Net revenue increased primarily due to higherunit sales of our embedded compute product line in the APJ and Americas regions. This was partially offset by lower unit sales of ourembedded ethernet connectivity products and network interface cards across all regions.Â IoT System SolutionsÂ Net revenue decreased primarily due to (i) decreasedunit sales of our OOB products in the Americas and EMEA regions and (ii) decreased unit sales of our network switches in the Americasand APJ regions. These reductions were mostly offset by sales of our custom solutions to a European smart energy grid provider that weramped production for in the second half of the prior fiscal year.Â Software & ServicesÂ Net revenue decreased primarily due to a decreasein our engineering services revenue in the EMEA region as two of our large design services projects transitioned in the prior year fromthe design phase to full production.Â Â Â Â 23Â Â Â Gross ProfitÂ Gross profit represents net revenue less cost of revenue. Cost of revenueconsists primarily of the cost of raw material components, subcontract labor assembly from contract manufacturers, direct and indirectpersonnel expenses related to professional services, manufacturing overhead, inventory reserves for excess and obsolete products or rawmaterials, warranty costs, royalties and share-based compensation.Â The following table presents our gross profit:Â Â Â Three Months Ended September 30,Â Â Â Â Â Â Â Â Â Â Â Â % of NetÂ Â Â Â Â % of NetÂ Â ChangeÂ Â Â 2024Â Â RevenueÂ Â 2023Â Â RevenueÂ Â $Â Â %Â Â Â (In thousands, except percentages)Â Gross profitÂ $14,475Â Â Â 42.1%Â Â $14,097Â Â Â 42.7%Â Â $378Â Â Â 2.7%Â Â Gross profit as a percent of revenue (referred to as â€œgross marginâ€)decreased slightly due primarily to our product sales mix as embedded compute products contribute to a larger portion of revenues in thecurrent period.Â Selling, General and AdministrativeÂ Selling, general and administrative expenses consist of personnel-relatedexpenses, including salaries and commissions, share-based compensation, facility expenses, information technology, trade show expenses,advertising, and legal and accounting fees.Â Â The following table presents our selling, generaland administrative expenses:Â Â Â Three Months Ended September 30,Â Â Â Â Â Â Â Â Â Â Â Â % of NetÂ Â Â Â Â % of NetÂ Â ChangeÂ Â Â 2024Â Â RevenueÂ Â 2023Â Â RevenueÂ Â $Â Â %Â Â Â (In thousands, except percentages)Â Personnel-related expensesÂ $5,321Â Â Â Â Â Â $4,837Â Â Â Â Â Â $484Â Â Â 10.0%Â Professional fees and outside servicesÂ Â 1,521Â Â Â Â Â Â Â 1,540Â Â Â Â Â Â Â (19)Â Â (1.2%) Advertising and marketingÂ Â 466Â Â Â Â Â Â Â 482Â Â Â Â Â Â Â (16)Â Â (3.3%) Facilities and insuranceÂ Â 411Â Â Â Â Â Â Â 514Â Â Â Â Â Â Â (103)Â Â (20.0%) Share-based compensationÂ Â 1,126Â Â Â Â Â Â Â 1,273Â Â Â Â Â Â Â (147)Â Â (11.5%) DepreciationÂ Â 351Â Â Â Â Â Â Â 334Â Â Â Â Â Â Â 17Â Â Â 5.1%Â OtherÂ Â 300Â Â Â Â Â Â Â 190Â Â Â Â Â Â Â 110Â Â Â 57.9%Â Selling, general and administrativeÂ $9,496Â Â Â 27.6%Â Â $9,170Â Â Â 27.8%Â Â $326Â Â Â 3.6%Â Â Selling, general and administrative expenses increased primarily due toan increase in personnel-related costs resulting from year-over-year compensation increases and changes in headcount. The increasewas partially offset by (i) reduced share-based compensation costs mostly from reversals of certain forfeited awards and (ii) lower facilitiesand related costs from previous restructurings of certain non-essential operations.Â Â Â Â 24Â Â Â Research and DevelopmentÂ Research and development expenses consist of personnel-related expenses,including share-based compensation, as well as expenditures to third-party vendors for research and development activities and productcertification costs. Our quarterly costs related to outside services and product certifications vary from period to period depending onour level of development activities.Â The following table presents our research and development expenses:Â Â Â Three Months Ended September 30,Â Â Â Â Â Â Â Â Â Â Â Â % of NetÂ Â Â Â Â % of NetÂ Â ChangeÂ Â Â 2024Â Â RevenueÂ Â 2023Â Â RevenueÂ Â $Â Â %Â Â Â (In thousands, except percentages)Â Personnel-related expensesÂ $3,272Â Â Â Â Â Â $3,259Â Â Â Â Â Â $13Â Â Â 0.4%Â FacilitiesÂ Â 648Â Â Â Â Â Â Â 619Â Â Â Â Â Â Â 29Â Â Â 4.7%Â Outside servicesÂ Â 176Â Â Â Â Â Â Â 176Â Â Â Â Â Â Â â€“Â Â Â 0.0%Â Product certificationsÂ Â 138Â Â Â Â Â Â Â 347Â Â Â Â Â Â Â (209)Â Â (60.2%) Share-based compensationÂ Â 410Â Â Â Â Â Â Â 428Â Â Â Â Â Â Â (18)Â Â (4.2%) OtherÂ Â 312Â Â Â Â Â Â Â 277Â Â Â Â Â Â Â 35Â Â Â 12.6%Â Research and developmentÂ $4,956Â Â Â 14.4%Â Â $5,106Â Â Â 15.5%Â Â $(150)Â Â (2.9%) Â Research and development expenses decreased primarily due to lower productcertification expenses resulting from the timing of costs incurred on various ongoing development projects.Â Â Restructuring, Severance and Related ChargesÂ During the three months ended September 30, 2024, we incurred charges of$900,000 related to headcount reductions. During the three months ended September 30, 2023, we incurred $20,000 of restructuring, severanceand related charges.Â Â We may incur additional restructuring, severance and related charges infuture periods as we continue to identify cost savings and efficiencies related to our business.Â Interest Expense, NetÂ For the three months ended September 30, 2024 and September 30, 2023, weincurred net interest expense due to borrowings on our credit facilities. We also earn interest income on our domestic cash balance.Â Â Â Â 25Â Â Â Other Income (Expense), NetÂ Â Our other income (expense), net, is comprised primarily of foreign currencyremeasurement and transaction adjustments related to our foreign subsidiaries whose functional currency is the U.S. dollar.Â Provision for Income TaxesÂ Refer to Note 7 of Notes to Unaudited Condensed Consolidated FinancialStatements, included in Part I, Item 1 of this Report, which is incorporated herein by reference, for a discussion regarding our provisionfor income taxes.Â Liquidity and Capital ResourcesÂ LiquidityÂ The following table presents details of our working capital and cash andcash equivalents:Â Â Â September 30,Â Â June 30,Â Â Â Â Â Â 2024Â Â 2024Â Â ChangeÂ Â Â (In thousands)Â Working capitalÂ $57,115Â Â $58,794Â Â $(1,679) Cash and cash equivalentsÂ $26,395Â Â $26,237Â Â $158Â Â Our principal sources of cash and liquidity include our existing cash andcash equivalents, borrowings and amounts available under our existing term loan and revolving credit facility (together, the â€œSeniorCredit Facilitiesâ€), and cash generated from operations. We are subject to a variable amount of interest on the principal balanceof our Senior Credit Facilities and could be adversely impacted by rising interest rates in the future. We believe that our current cashholdings and net cash flows from operations are sufficient to satisfy our current obligations for the foreseeable future, and, assumingcontinued access to the undrawn amounts available under our Senior Credit Facilities, these combined sources will be sufficient to fundour material requirements for working capital, capital expenditures and other financial commitments for at least the next 12 months andbeyond. We continue to monitor our existing banking relationships and the availability of potential alternate sources of credit basedon market conditions and our ongoing capital requirements. There can be no guarantee that we would be able to obtain any needed alternatefinancing on acceptable terms, or at all, or that such a financing would not result in a default under the Loan Agreement (as definedin Note 5 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report). We anticipatethat the primary factors affecting our cash and liquidity are net revenue, working capital requirements and capital expenditures.Â We define cash and cash equivalents as highly liquid deposits with originalmaturities of 90 days or less when purchased. We maintain cash and cash equivalents balances at certain financial institutions in excessof amounts insured by the Federal Deposit Insurance Corporation (â€œFDICâ€). There can be no assurance that our deposits in excessof the FDIC limits will be backstopped by the U.S., or that any bank or financial institution with which we do business will be able toobtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.Â As of the date of this Report, we have full access to and control of ourcash and cash equivalents balance at Silicon Valley Bank and our other banking institutions. Our emphasis is primarily on safety of principaland secondarily on maximizing yield on those funds. As of the date of this Report, we are in compliance with all covenants of the LoanAgreement.Â Â Â Â 26Â Â Â Our future working capital requirements will depend on many factors, includingthe following: timing and amount of our net revenue; our product mix and the resulting gross margins; research and development expenses;selling, general and administrative expenses; and expenses associated with any strategic partnerships, acquisitions or infrastructureinvestments.Â From time to time, we may seek additional capital from public or privateofferings of our capital stock, borrowings under our existing or future credit lines or other sources in order to (i) develop or enhanceour products, (ii) take advantage of strategic opportunities, (iii) respond to competition or (iv) continue to operate our business. Wecurrently have a Form S-3 shelf registration statement on file with the SEC. If we issue equity securities to raise additional funds,our existing stockholders may experience dilution, and the new equity securities may have rights, preferences and privileges senior tothose of our existing stockholders. If we issue debt securities to raise additional funds, we may incur debt service obligations, becomesubject to additional restrictions that limit or restrict our ability to operate our business, or be required to further encumber ourassets. There can be no assurance that we will be able to raise any such capital on terms acceptable to us, if at all.Â Bank Loan AgreementsÂ Refer to Note 5 of Notes to Unaudited Condensed Consolidated FinancialStatements, included in Part I, Item 1 of this Report, which is incorporated herein by reference, for a discussion of our loan agreements.Â Cash FlowsÂ The following table presents the major componentsof the unaudited condensed consolidated statements of cash flows: Â Â Â Â Â Â Â Â Â Â Â Â Three Months Ended September 30,Â Â Â Â Â Â 2024Â Â 2023Â Â ChangeÂ Â Â (In thousands)Â Net cash provided by operating activitiesÂ $2,663Â Â $7,498Â Â $(4,835) Net cash used in investing activitiesÂ Â (157)Â Â (486)Â Â 329Â Net cash used in financing activitiesÂ Â (2,348)Â Â (985)Â Â (1,363) Â Operating ActivitiesÂ Cash provided by operating activities during the three months ended September30, 2024 decreased compared to the prior year period. Cash from operations increased in the prior year period due to our reduction ofinventories and receipt of customer deposits relating to the delivery to our European smart grid provider customer. In the current yearperiod, inventories increased slightly, and we also made payments against previously accrued variable compensation balances, as discussedfurther below. For the three months ended September 30, 2024, our net loss included $3,418,000 of non-cash charges, while the changesin operating assets and liabilities provided net cash of $1,747,000.Â Our net inventories increased by $1,835,000, or 6.6%, from June 30, 2024to September 30, 2024. The increase resulted primarily due to the timing of various material receipts during the current quarter as comparedto our shipments to customers.Â Accounts payable increased by $6,802,000, or 65.7%, from June 30, 2024to September 30, 2024. The increase is primarily due to the timing of inventory receipts near the end of the current quarter, as wellas payments made to our vendors.Â Â Â Â 27Â Â Â Contract manufacturersâ€™ receivables increased by $1,321,000, or 94.3%,from June 30, 2024 to September 30, 2024. The increase is primarily due to timing of shipments of components to contract manufacturersduring the current quarter.Â Accrued payroll and related expenses decreased by $2,396,000 or 41.1% fromJune 30, 2024 to September 30, 2024. The decrease is primarily due to accrued variable compensation paid out during the current quarter.Â Investing ActivitiesÂ Net cash used in investing activities for the three months ended September30, 2024 consisted of purchases of equipment totaling $157,000, primarily for tooling at our contract manufacturers and certain researchand development projects. Cash used during the three months ended September 30, 2023 consisted of purchases of plant and equipment of$486,000 primarily for research and development and certain business analysis tools.Â Financing ActivitiesÂ Net cash used in financing activities during the three months ended September30, 2024 and the three months ended September 30, 2023 resulted primarily from tax withholdings paid on behalf of employees for restrictedshares as well as principal payments on the Senior Credit Facilities.Â Item 3. Quantitative and Qualitative Disclosures about Market Risk Â As a smaller reporting company, we are not required to provide the informationrequired by this Item 3.Â Item 4. Controls and Procedures Â Evaluation of Disclosure Controls and ProceduresÂ We maintain disclosure controls and procedures(as defined in RulesÂ 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€)that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarizedand reported within the time periods specified in the SECâ€™s rules and forms and that this information is accumulated and communicatedto management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regardingrequired disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures,no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and managementis required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.Â Our management, with the participation of ourChief Executive Officer and our Interim Chief Financial Officer, evaluated the effectiveness of our disclosure controls and proceduresas of September 30, 2024. Based on such evaluation our Chief Executive Officer and Interim Chief Financial Officer have concluded thatour disclosure controls and procedures were effective as of September 30, 2024. Refer to the additional discussion below regarding theremediation of the previously disclosed material weakness.Â Â Â Â Â 28Â Â Â Material Weakness in Internal Control OverFinancial ReportingÂ As reported in our managementâ€™s report on internal control over financialreporting within our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, we identified a material weakness in internalcontrol related to the design and implementation of information technology general controls related to the Companyâ€™s informationsystems that are relevant to the preparation of consolidated financial statements. Specifically, management did not design and maintainuser access controls to ensure appropriate segregation of duties and to adequately restrict user access to financial applications anddata.Â During the fiscal year ended June 30, 2024, management implemented itspreviously disclosed remediation plan to enhance the design of information technology general controls (â€œITGCsâ€) related touser access and proper segregation of duties. This plan included:Â Â Â· Modifying user rights to significantly restrict access to certain key financial applications and functionality. Â Â· Implementing additional review and approval requirements within the financial systems workflow. Â Â· Creating new audit reports that require management review and approval of changes made to key attributes within the financial application. Â Â· Improving and maintaining documentation underlying ITGCs to promote knowledge transfer upon personnel and function changes. Â Â· Implementing an IT management review and testing plan to monitor user access, specifically focusing on financial applications. Â As of June 30, 2024, management had implementedthe remedial actions and controls described above concerning the material weakness. Due to the timing of the design and implementationof our remediation efforts during the fourth quarter of fiscal 2024, there was insufficient time to demonstrate consistent execution ofcertain controls and conclude on the operating effectiveness of internal control over financial reporting as of June 30, 2024. Subsequently,through September 30, 2024, management has determined that appropriate time has elapsed to demonstrate the operating effectiveness ofthe remediated controls through testing of a sufficient number of instances.Â Changes in Internal Control over Financial ReportingÂ Other than the ongoing changes to our controls associated with remediatingthe material weakness described above, there were no changes in our internal control over financial reporting identified in connectionwith the evaluation required by Rule 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the quarter ended September 30,2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.Â Â Â Â Â Â 29Â Â Â PART II. OTHER INFORMATIONÂ Item 1. Legal Proceedings Â Refer to Note 8 of Notes to Unaudited Condensed Consolidated FinancialStatements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the three months ended September 30, 2024 (this â€œReportâ€),which is incorporated herein by reference, for a discussion of legal proceedings.Â Item 1A. Risk Factors Â We operate in a rapidly changing environment that involves numerousrisks and uncertainties. Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks describedin this section, as well as other information contained in this Report and in our other filings with the Securities and Exchange Commission(â€œSECâ€). This section should be read in conjunction with the unaudited condensed consolidated financial statements and accompanyingnotes thereto included in Part I, Item 1 of this Report, and â€œManagementâ€™s Discussion and Analysis of Financial Conditionand Results of Operationsâ€ included in Part I, Item 2 of this Report. If any of these risks or uncertainties actually occurs, ourbusiness, financial condition, results of operations or prospects could be materially harmed. In that event, the market price for ourcommon stock could decline and you could lose all or part of your investment. In addition, risks and uncertainties not presently knownto us or that we currently deem immaterial may also adversely affect our business.Â The risks and uncertainties discussed below update and supersede therisks and uncertainties previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024,which was filed with the SEC on September 9, 2024. There have been no material changes to the risks and uncertainties previously disclosedin such Annual Report on Form 10-K, except for those risks marked with an asterisk (*) below.Â Risks Related to Our Operations and IndustryÂ We depend upon a relatively small number of distributor and end-usercustomers for a large portion of our revenue, and a decline in sales to these major customers would materially adversely affect our business,financial condition, and results of operations. Â Historically, we have relied upon a small number of distributors and end-usercustomers for a significant portion of our net revenue. Our customer concentration could fluctuate, depending on future customer requirements,which will depend on market conditions in the industry segments in which our customers participate. The loss of one or more significantcustomers or a decline in sales to our significant customers could result in a material loss of sales and possible increase in excessinventories which would adversely affect our business, financial condition, and results of operations.Â We have experienced and may in the future experience constraintsin the supply of certain materials and components that could affect our operating results.Â Some of our integrated circuits are only available from a single sourceand in some cases, are no longer being manufactured. From time to time, integrated circuits, and potentially other components used inour products, will be phased out of production by the manufacturer. When this happens, we attempt to purchase sufficient inventory tomeet our needs until a substitute component can be incorporated into our products. Nonetheless, we may be unable to purchase sufficientcomponents to meet our demands, or we may incorrectly forecast our demands, and purchase too many or too few components. In addition,our products use components that have been in the past and may in the future be subject to market shortages and substantial price fluctuations,whether due to the COVID-19 pandemic or a future pandemic or epidemic, the war between Ukraine and Russia, conflict in the Middle East,hostilities in the Red Sea, recent tensions between China and Taiwan or otherwise. From time to time, we have been unable to meet customerorders because we were unable to purchase necessary components for our products. We do not have long-term supply arrangements with mostof our vendors to obtain necessary components, including semiconductor chips, or technology for our products and instead purchase componentson a purchase order basis. If we are unable to purchase components from these suppliers, our product shipments could be prevented or delayed,which could result in a loss of sales. If we are unable to meet existing orders or to enter into new orders because of a shortage in components,we will likely lose net revenue, risk losing customers and risk harm to our reputation in the marketplace, which could adversely affectour business, financial condition or results of operations.Â Â Â Â 30Â Â Â Future operating results depend upon our ability to timely obtaincomponents in sufficient quantities and on acceptable terms.Â We and our contract manufacturers are responsible for procuring raw materialsfor our products. Our products incorporate some components and technologies that are only available from single or limited sources ofsupply. Depending on a limited number of suppliers exposes us to risks, including limited control over pricing, availability, qualityand delivery schedules. Moreover, due to our limited sales, we may not be able to convince suppliers to continue to make components availableto us unless there is demand for these components from their other customers. If any one or more of our suppliers cease to provide uswith sufficient quantities of components in a timely manner or on terms acceptable to us, we would have to seek alternative sources ofsupply and we may have difficulty identifying additional or replacement suppliers for some of our components.Â We outsource substantially all of our manufacturing to contract manufacturersin Asia. If our contract manufacturers are unable or unwilling to manufacture our products at the quality and quantity we request, ourbusiness could be harmed.Â We use contract manufacturers based in Asia to manufacture substantiallyall of our products. Generally, we do not have guaranteed supply agreements with our contract manufacturers or suppliers. If any of thesesubcontractors or suppliers were to cease doing business with us, we might not be able to obtain alternative sources in a timely or cost-effectivemanner. Our reliance on third-party manufacturers, especially in countries outside of the U.S., exposes us to a number of significantrisks, including:Â Â Â· reduced control over delivery schedules, quality assurance, manufacturing yields and production costs; Â Â Â Â Â· lack of guaranteed production capacity or product supply; Â Â Â Â Â· effects of terrorist attacks or geopolitical conflicts abroad; Â Â Â Â Â· reliance on these manufacturers to maintain competitive manufacturing technologies; Â Â Â Â Â· unexpected changes in regulatory requirements, taxes, trade laws and tariffs; Â Â Â Â Â· reduced protection for intellectual property rights in some countries; Â Â Â Â Â· differing labor regulations; Â Â Â Â Â· disruptions to the business, financial stability or operations, including due to strikes, labor disputes or other disruptions to the workforce, of these manufacturers; Â Â Â Â Â· compliance with a wide variety of complex regulatory requirements; Â Â Â Â Â· fluctuations in currency exchange rates; Â Â Â Â Â· changes in a countryâ€™s or regionâ€™s political or economic conditions; Â Â Â Â Â· greater difficulty in staffing and managing foreign operations; and Â Â Â Â Â· increased financial accounting and reporting burdens and complexities. Â Â Â Â 31Â Â Â Any problems that we may encounter with the delivery, quality or cost ofour products from our contract manufacturers or suppliers could cause us to lose net revenue, damage our customer relationships and harmour reputation in the marketplace, each of which could materially and adversely affect our business, financial condition or results ofoperations.Â Â From time to time, we may transition the manufacturing of certain productsfrom one contract manufacturer to another. When we do this, we may incur substantial expenses, risk material delays or encounter otherunexpected issues.Â The effect of a pandemic or major public health concern such as theCOVID-19 pandemic could result in material adverse effects on our business, financial position, results of operations and cash flows.Â The COVID-19 pandemic or another pandemic or similar outbreak has had,and may in the future have, an adverse impact on the economy, our business and the businesses of our suppliers, and our results of operationsand financial condition. For example, the COVID-19 pandemic resulted in industry events, trade shows and business travel being suspended,cancelled and/or significantly curtailed. If these activities are suspended, cancelled and/or significantly curtailed in the future, whetherdue to surges of COVID-19 or other possible pandemics and similar outbreaks, our sales may be negatively impacted in the future.Â In addition, the impact of the COVID-19 pandemic or other possible pandemicssubject usÂ to various risks and uncertainties that could materially adversely affect our business, results of operations and financialcondition, including the following:Â Â Â· significant volatility or decreases in the demand for our products or extended sales cycles; Â Â Â Â Â· changes in customer behavior and preferences, as customers may experience financial difficulties and/or may delay orders or reduce their spending; Â Â Â Â Â· adverse impacts on our ability to distribute or deliver our products or services, as well as temporary disruptions, restrictions or closures of the facilities of our suppliers or customers and their contract manufacturers; Â Â Â Â Â· further disruptions in our contract manufacturersâ€™ ability to manufacture our products, as some contract manufacturers and suppliers of materials used in the production of our products are, or may be, located in areas more severely impacted by COVID-19 or another possible pandemic, which has limited and could further limit, our ability to obtain sufficient materials to produce and manufacture our products; and Â Â Â Â Â· volatility in the availability of raw materials and components that our contract manufacturers purchase and volatility in raw material and other input costs. Â The duration and extent of a future pandemics or other similar outbreakâ€™seffect on our operations and financial condition will depend on future developments, which are highly uncertain and cannot be predictedat this time. The adverse impact of the COVID-19 pandemic or another pandemic or similar outbreak on our business, results of operationsand financial condition have been, could continue to be, and may in the future be material.Â Â Â Â 32Â Â Â Certain of our products are sold into mature markets, which couldlimit our ability to continue to generate revenue from these products. Our ability to sustain and grow our business depends on our abilityto develop, market, scale, and sell new products.Â Certain of our products are sold into mature markets that are characterizedby a trend of declining demand. As the overall market for these products decreases due to the adoption of new technologies, our revenuesfrom these products have declined, and we expect they will continue to decline in the future. As a result, our future prospects will dependon our ability to develop and successfully market new products that address new and growing markets. Our failure to develop new productsor failure to achieve widespread customer acceptance of any new products could cause us to lose market share and cause our revenues todecline. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction,marketing and sale of new products or product enhancements. Factors that could cause delays include regulatory and/or industry approvals,product design cycle and failure to identify products or features that customers demand. In addition, the introduction and sale of newproducts often involves a significant technical evaluation, and we often face delays because of our customersâ€™ internal proceduresfor evaluating, approving and deploying new technologies. For these and other reasons, the sales cycle associated with new products istypically lengthy, often lasting six to 24 months and sometimes longer. Therefore, there can be no assurance that our introduction orannouncement of new product offerings will achieve any significant or sustainable degree of market acceptance or result in increased revenuein the near term.Â Our software offerings are subject to risks that differ from thosefacing our hardware products.Â We continue to dedicate significant engineering resources to our managementsoftware platform, applications, and SaaS offerings. These product and service offerings are subject to significant additional risks thatare not necessarily related to our hardware products. Our ability to succeed with these offerings will depend in large part on our abilityto provide customers with software products and services that offer features and functionality that address their specific needs. We mayface challenges and delays in the development of this product line as the marketplace for products and services evolves to meet the needsand desires of customers. We cannot provide assurances that we will be successful in operating and growing this product line.Â In light of these risks and uncertainties, we may not be able to establishor maintain market share for our software and SaaS offerings. As we develop new product lines, we must adapt to market conditions thatare unfamiliar to us, such as competitors and distribution channels that are different from those we have known in the past. We have andwill encounter competition from other solutions providers, many of whom may have more significant resources than us with which to compete.There can be no assurance that we will recover our investments in this segment, or that we will receive meaningful revenue from or realizea profit from this new segment.Â We may experience significant fluctuation in our revenue becausethe timing of large orders placed by some of our customers is often project-based.Â Our operating results fluctuate because we often receive large orders fromcustomers that coincide with the timing of the customerâ€™s project. Sales of our products and services may be delayed if customersdelay approval or commencement of projects due to budgetary constraints, internal acceptance review procedures, timing of budget cyclesor timing of competitive evaluation processes. In addition, sometimes our customers make significant one-time hardware purchases for projectswhich are not repeated. We sell primarily on a purchase order basis rather than pursuant to long-term contracts, and we expect fluctuationsin our revenues as a result of one-time project-based purchases to continue in the future. In addition, our sales may be subject to significantfluctuations based on the acceleration, delay or cancellation of customer projects, or our failure to complete one or a series of significantpotential sales. Because a significant portion of our operating expenses are fixed, even a single order can have a disproportionate effecton our operating results. As a result of the factors discussed above, and due to the complexities of the industry in which we operate,it is difficult for us to forecast demand for our current or future products with any degree of certainty, which means it is difficultfor us to forecast our sales. If our quarterly or annual operating results fall below the expectations of investors or securities analysts,the price of our common stock could decline substantially.Â Â Â Â 33Â Â Â The lengthy sales cycle for our products and services, along withdelays in customer completion of projects, make the timing of our revenues difficult to predict. Â We have a lengthy sales cycle for many of our products that generally extendsbetween three and 24 months and sometimes longer due to a lengthy customer evaluation and approval process. The length of this processcan be affected by factors over which we have little or no control, including the customerâ€™s budgetary constraints, timing of thecustomerâ€™s budget cycles, and concerns by the customer about the introduction of new products by us or by our competitors. As aresult, sales cycles for customer orders vary substantially among different customers. The lengthy sales cycle is one of the factors thathas caused, and may continue to cause, our revenues and operating results to vary significantly from quarter to quarter. In addition,we may incur substantial expenses and devote significant management effort to develop potential relationships that do not result in agreementsor revenues, which may prevent us from pursuing other opportunities. Accordingly, excessive delays in sales could be material and adverselyaffect our business, financial condition or results of operations.Â The nature of our products, customer base and sales channels resultsin lack of visibility into future demand for our products, which makes it difficult for us to forecast our manufacturing and inventoryrequirements.Â We use forecasts based on anticipated product orders to manage our manufacturingand inventory levels and other aspects of our business. However, several factors contribute to a lack of visibility with respect to futureorders, including:Â Â Â· the lengthy and unpredictable sales cycle for our products that can extend from six to 24 months or longer; Â Â Â Â Â· the project-driven nature of many of our customersâ€™ requirements; Â Â Â Â Â· we primarily sell our products indirectly through distributors; Â Â Â Â Â· the uncertainty of the extent and timing of market acceptance of our new products; Â Â Â Â Â· the need to obtain industry certifications or regulatory approval for our products; Â Â Â Â Â· the lack of long-term contracts with our customers; Â Â Â Â Â· the diversity of our product lines and geographic scope of our product distribution; Â Â Â Â Â· we have some customers who make single, non-recurring purchases; and Â Â Â Â Â· a large number of our customers typically purchase in small quantities. Â This lack of visibility impacts our ability to forecast our inventory requirements.If we overestimate our customersâ€™ future requirements for products, we may have excess inventory, which would increase our costsand potentially require us to write-off inventory that becomes obsolete. Additionally, if we underestimate our customersâ€™ futurerequirements, we may have inadequate inventory, which could interrupt and delay delivery of our products to our customers, harm our reputation,and cause our revenues to decline. If any of these events occur, they could prevent us from achieving or sustaining profitability andthe value of our common stock may decline.Â Â Â Â 34Â Â Â Delays in qualifying revisions of existing products for certain ofour customers could result in the delay or loss of sales to those customers, which could negatively impact our business and financialresults. Â Our industry is characterized by intense competition, rapidly evolvingtechnology and continually changing customer preferences and requirements. As a result, we frequently develop and introduce new versionsof our existing products, which we refer to as revisions.Â Â Prior to purchasing our products, some of our customers require that productsundergo a qualification process, which may involve testing of the products in the customerâ€™s system. A subsequent revision to aproductâ€™s hardware or firmware, changes in the manufacturing process or our selection of a new supplier may require a new qualificationprocess, which may result in delays in sales to customers, loss of sales, or us holding excess or obsolete inventory.Â After products are qualified, it can take additional time before the customercommences volume production of components or devices that incorporate our products. If we are unsuccessful or delayed in qualifying anynew or revised products with a customer, that failure or delay would preclude or delay sales of these products to the customer, and couldnegatively impact our financial results. In addition, new revisions to our products could cause our customers to alter the timing of theirpurchases, by either accelerating or delaying purchases, which could result in fluctuations of our net revenue from quarter to quarter.Â We depend on distributors for a majority of our sales and to completeorder fulfillment.Â We depend on the resale of products through distributor accounts for asubstantial majority of our worldwide net revenue. In addition, sales through our top five distributors accounted for approximately 29%of our net revenue in fiscal 2024. A significant reduction of effort by one or more distributors to sell our products or a material changein our relationship with one or more distributors may reduce our access to certain end customers and adversely affect our ability to sellour products. Furthermore, if a key distributor materially defaults on a contract or otherwise fails to perform, our business and financialresults would suffer.Â In addition, the financial health of our distributors and our continuingrelationships with them are important to our success. Our business could be harmed if the financial health of these distributors impairstheir performance and we are unable to secure alternate distributors.Â Our ability to sustain and grow our business depends in part on thesuccess of our distributors and resellers.Â A substantial part of our revenues is generated through sales by distributorsand resellers. To the extent they are unsuccessful in selling our products, or if we are unable to obtain and retain a sufficient numberof high-quality distributors and resellers, our operating results could be materially and adversely affected. In addition, our distributorsand resellers may devote more resources to marketing, selling and supporting products and services that are competitive with ours, thanto our products. They also may have incentives to promote our competitorsâ€™ products over our products, particularly for our competitorswith larger volumes of orders, more diverse product offerings and a longer relationship with our distributors and resellers. In thesecases, one or more of our important distributors or resellers may stop selling our products completely or may significantly decrease thevolume of products they sell on our behalf. This sales structure also could subject us to lawsuits, potential liability and reputationalharm if, for example, any of our distributors or resellers misrepresents the functionality of our products or services to customers orviolates laws or our corporate policies. If we fail to effectively manage our existing or future distributors and resellers effectively,our business and operating results could be materially and adversely affected.Â Changes to the average selling prices of our products could affectour net revenue and gross margins and adversely affect results of operations.Â In the past, we have experienced reductions in the average selling pricesand gross margins of our products. We expect competition to continue to increase, and we anticipate this could result in additional downwardpressure on our pricing. Our average selling prices for our products might also decline as a result of other reasons, including promotionalprograms introduced by us or our competitors and customers who negotiate price concessions. To the extent we are able to increase prices,we may experience a decline in sales volumes if customers decide to purchase competitive products. If any of these were to occur, ourgross margins could decline and we might not be able to reduce the cost to manufacture our products enough or at all to keep up with thedecline in prices.Â Â Â Â 35Â Â Â If we are unable to sell our inventory in a timely manner, it couldbecome obsolete, which could require us to write-down or write off obsolete inventory, which could harm our operating results.Â At any time, competitive products may be introduced with more attractivefeatures or at lower prices than ours. If this occurs, and for other reasons, we may not be able to accurately forecast demand for ourproducts and our inventory levels may increase. There is a risk that we may be unable to sell our inventory in a timely manner to avoidit becoming obsolete. If we are required to substantially discount our inventory or are unable to sell our inventory in a timely manner,we would be required to increase our inventory reserves or write off obsolete inventory and our operating results could be substantiallyharmed.Â Our failure to compete successfully in our highly competitive marketcould result in reduced prices and loss of market share.Â The market in which we operate is intensely competitive, subject to rapidtechnological advances and highly sensitive to evolving industry standards. The market can also be affected significantly by new productand technology introductions and marketing and pricing activities of industry participants. Our products compete directly with productsproduced by a number of our competitors. Many of our competitors and potential competitors have greater financial and human resourcesfor marketing and product development, more experience conducting research and development activities, greater experience obtaining regulatoryapproval for new products, larger distribution and customer networks, more established relationships with contract manufacturers and suppliers,and more established reputations and name recognition. For these and other reasons, we may not be able to compete successfully againstour current or potential future competitors. In addition, the amount of competition we face in the marketplace may change and grow asthe market for IoT and machine-to-machine networking solutions grows and new companies enter the marketplace. Present and future competitorsmay be able to identify new markets, adapt new technologies, develop and commercialize products more quickly and gain market acceptanceof products with greater success. As a result of these competitive factors, we may fail to meet our business objectives and our business,financial condition and operating results could be materially and adversely affected.Â Acquisitions, strategic partnerships, joint ventures or investmentsmay impair our capital and equity resources, divert our managementâ€™s attention or otherwise negatively impact our operating results.Â We may pursue acquisitions, strategic partnerships and joint ventures thatwe believe would allow us to complement our growth strategy, increase market share in our current markets and expand into adjacent markets,broaden our technology and intellectual property and strengthen our relationships with distributors, OEMs and ODMs. For instance, we acquiredMaestro, Intrinsyc, the Transition Networks and Net2Edge businesses of Communication Systems, Inc., and Uplogix, Inc. in calendar years2019, 2020, 2021 and 2022, respectively. Our previous acquisitions have required, and any future acquisition, partnership, joint ventureor investment may also require, that we pay significant cash, issue equity and/or incur substantial debt. Acquisitions, partnerships orjoint ventures may also result in the loss of key personnel and the dilution of existing stockholders to the extent we are required toissue equity securities. In addition, acquisitions, partnerships or joint ventures require significant managerial attention, which maybe diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our business. Furthermore,acquired businesses may not be effectively integrated, may be unable to maintain key pre-acquisition business relationships, may not resultin expected synergies, an increase in revenues or earnings or the delivery of new products, may contribute to increased fixed costs, andmay expose us to unanticipated liabilities. If any of these occur, we may fail to meet our business objectives and our business, financialcondition and operating results could be materially and adversely affected.Â We may experience difficulties associated with utilizing third-partylogistics providers.Â A portion of our physical inventory management process, as well as theshipping and receiving of our inventory, is performed by a third-party logistics provider in Hong Kong. There is a possibility that third-partylogistics providers will not perform as expected and we could experience delays in our ability to ship, receive, and process the relateddata in a timely manner. This could adversely affect our financial position, results of operations, cash flows and the market price ofour common stock.Â Relying on third-party logistics providers could increase the risk of thefollowing: failing to receive accurate and timely inventory data, theft or poor physical security of our inventory, inventory damage,ineffective internal controls over inventory processes or other similar business risks out of our immediate control.Â Â Â Â 36Â Â Â Risks Related to Technology, Cybersecurity and Intellectual PropertyÂ Cybersecurity breaches and other disruptions could compromise ourinformation and expose us to liability, which could cause our business and reputation to suffer.Â Increased global information technology security threats and more sophisticatedand targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrityof our data. There have been several recent, highly publicized cases in which organizations of various types and sizes have reported theunauthorized disclosure of customer or other confidential information, as well as cyberattacks involving the dissemination, theft anddestruction of corporate information, intellectual property, cash or other valuable assets. There have also been several highly publicizedcases in which hackers have requested â€œransomâ€ payments in exchange for not disclosing customer or other confidential informationor for not disabling the target companyâ€™s computer or other systems. The secure processing, maintenance and transmission of theinformation that we collect and store on our systems is critical to our operations and implementing security measures designed to prevent,detect, mitigate or correct these or other cybersecurity threats involves significant costs. Although we have taken steps to protect thesecurity of our information systems, we have, from time to time, experienced, and we expect to continue experiencing, threats to our dataand systems, including malware, phishing and computer virus attacks, and it is possible that in the future our safety and security measureswill not prevent the systemsâ€™ improper functioning or damage, or the improper access or disclosure of personally identifiable informationsuch as in the event of cyber-attacks. In addition, due to the fast pace and unpredictability of cybersecurity threats, including fromemerging technologies, such as advanced forms of machine learning, AI and quantum computing, long-term implementation plans designed toaddress cybersecurity risks become obsolete quickly and, in some cases, it may be difficult to anticipate or immediately detect such incidentsand the damage they cause. Any unauthorized access, disclosure or other loss of information could result in legal claims or proceedings,disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, which could adversely affectour business.Â If unauthorized access is obtained to the personal and/or proprietarydata we collect and store, our products become subject to cybersecurity breaches, or if public perception is that they are vulnerableto cyberattacks, our reputation and business could suffer.Â In the ordinary course of our business, we collect and store sensitivedata, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners,and personally identifiable information of our employees, on our networks and third-party cloud software providers. If there is unauthorizedaccess to such information, we may incur significant costs or liabilities and lose customer confidence in us, which would harm our reputationand results of operations. In addition, we could be subject to liability or our reputation could be harmed if technologies integratedinto our products, or our products, fail to prevent cyberattacks, or if our partners or customers fail to safeguard the systems with securitypolicies that conform to industry best practices. In addition, any cyberattack or security breach that affects a competitorâ€™s productscould lead to the negative perception that our solutions are or could be subject to similar attacks or breaches.Â Some of our software offerings may be subject to various cybersecurityrisks, which are particularly acute in the cloud-based technologies operated by us and other third parties that form a part of our solutions.Â In connection with certain implementations of our management software platform,application, and SaaS offerings, we expect to store, convey and process data produced by devices. This data may include confidential orproprietary information, intellectual property or personally identifiable information of our customers or other third parties with whomthey do business. It is important for us to maintain solutions and related infrastructure that are perceived by our customers and otherparties with whom we do business to provide a reasonable level of reliability and security. Despite available security measures and otherprecautions, the infrastructure and transmission methods used by our products and services may be vulnerable to interception, attack orother disruptive problems.Â If a cyberattack or other security incident were to allow unauthorizedaccess to or modification of our customersâ€™ data or our own data, whether due to a failure with our systems or related systems operatedby third parties, we could suffer damage to our brand and reputation. The costs we would incur to address and fix these incidents couldsignificantly increase our expenses. These types of security incidents could also lead to lawsuits, regulatory investigations and increasedlegal liability, including in some cases contractual costs related to customer notification and fraud monitoring.Â Â Â Â 37Â Â Â Failure to comply with data privacy laws and regulations could havea materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.Â Certain of our products and services as well as the operations of our businessmay involve access or exposure to personally identifiable or otherwise confidential information and customer data and systems, the misuseor improper disclosure of which could result in legal liability. The collection, hosting, transfer, disclosure, use, storage and securityof personal information is subject to federal, state and foreign data privacy laws. These laws, (â€œPrivacy and Data Protection Requirementsâ€)which are not uniform, do one or more of the following: regulate the collection, transfer (including in some cases, the transfer outsidethe country of collection), processing, storage, use and disclosure of personal information, and require notice to individuals of privacypractices and in some cases consent to collection of personal information; give individuals certain access, correction and deletion rightswith respect to their personal information; and prevent the use or disclosure of personal information, or require providing opt-outs forthe use and disclosure of personal information, for secondary purposes such as marketing. Under certain circumstances, some of these lawsrequire us to provide notification to affected individuals, data protection authorities and/or other regulators in the event of a databreach. In many cases, these laws apply not only to third-party transactions, but also to transfers of information among us and our subsidiaries.Â Laws and regulations in this area are evolving and generally becoming morestringent. For example, the European General Data Protection Regulation (the â€œGDPRâ€) requires us to meet stringent requirementsregarding (i) our access, use, disclosure, transfer, protection, or otherwise processing of personal information; and (ii) the abilityof data subjects to exercise their related various rights such as to access, correct or delete or limit the use of their personal data.Under the GDPR and the U.K.â€™s version of the GDPR, information transfers from the European Union and the U.K. to the U.S. are generallyprohibited unless certain measures are followed. The 2018 California Consumer Privacy Act and California Privacy Rights Act of 2020 provideindividuals similar rights with respect to the processing of their personal data. In addition to California, Colorado, Virginia, Utahand Connecticut previously enacted comprehensive privacy legislation, and in 2023 and 2024, Delaware, Florida, Indiana, Iowa, Kentucky,Maryland, Minnesota, Montana, New Jersey, New Hampshire, Oregon, Rhode Island, Tennessee and Texas enacted such laws. There is also thepossibility of federal privacy legislation and increased enforcement by the Federal Trade Commission under its power to regulate unfairand deceptive trade practices. Markets in the Asia Pacific region have also recently adopted GDPR-like legislation, including Chinaâ€™snew Personal Information Protection Law. Failure to meet Privacy and Data Protection Law requirements could result in significant civilpenalties (including fines up to 4% of annual worldwide revenue under the GDPR) as well as criminal penalties. Privacy and data protectionlaw requirements also confer a private right of action in some countries, including under the GDPR.Â As these laws continue to evolve, we may be required to make changes toour systems, services, solutions and/or products to enable us and/or our clients to meet the new legal requirements, including by takingon more onerous obligations, limiting our storage, transfer and processing of data and, in some cases, limiting our service and/or solutionofferings in certain locations and our ability to market to customers. Changes in these laws, or the interpretation and application thereof,may also increase our potential exposure through significantly higher potential penalties for non-compliance. The costs of compliancewith, and other burdens imposed by, such laws and regulations and client demand in this area may limit the use of, or demand for, ourservices, solutions and/or products, make it more difficult and costly to meet client expectations, or lead to significant fines, penaltiesor liabilities for noncompliance, any of which could adversely affect our business, financial condition, and results of operations.Â If software that we incorporate into our products were to becomeunavailable or no longer available on commercially reasonable terms, it could adversely affect sales of our products, which could disruptour business and harm our financial results.Â Certain of our products contain software developed and maintained by third-partysoftware vendors or which are available through the â€œopen sourceâ€ software community. We also expect that we may incorporatesoftware from third-party vendors and open source software in our future products. Our business would be disrupted if this software, orfunctional equivalents of this software, were either no longer available to us or no longer offered to us on commercially reasonable terms.In either case, we would be required to either redesign our products to function with alternate third-party software or open source software,or develop these components ourselves, which would result in increased costs and could result in delays in our product shipments. Furthermore,we might be forced to limit the features available in our current or future product offerings.Â Â Â Â 38Â Â Â Our products may contain undetected software or hardware errors ordefects that could lead to an increase in our costs, reduce our net revenue or damage our reputation.Â We currently offer warranties ranging from one to five years on each ofour products. Our products could contain undetected software or hardware errors or defects. If there is a product failure, we might haveto replace all affected products, or we might have to refund the purchase price for the units. Regardless of the amount of testing weundertake, some errors might be discovered only after a product has been installed and used by customers. Any errors discovered aftercommercial release could result in financial losses and claims against us. Significant product warranty claims against us could harm ourbusiness, reputation and financial results and cause the market price of our common stock to decline.Â We may not be able to adequately protect or enforce our intellectualproperty rights, which could harm our competitive position or require us to incur significant expenses to enforce our rights.Â We rely primarily on a combination of laws, such as patent, copyright,trademark and trade secret laws, and contractual restrictions, such as confidentiality agreements and licenses, to establish and protectour proprietary rights. Despite any precautions that we have taken:Â Â Â· laws and contractual restrictions might not be sufficient to prevent misappropriation of our technology or deter others from developing similar technologies; Â Â Â Â Â· other companies might claim intellectual property rights based upon prior use that negatively impacts our ability to enforce our trademarks and patents; and Â Â Â Â Â· policing unauthorized use of our patented technology and trademarks is difficult, expensive and time-consuming, and we might be unable to determine the extent of this unauthorized use. Â Also, the laws of some of the countries in which we market and manufactureour products offer little or no effective protection of our proprietary technology. Reverse engineering, unauthorized copying or othermisappropriation of our proprietary technology could enable third parties to benefit from our technology without paying us for it. Consequently,we may be unable to prevent our proprietary technology from being exploited by others in the U.S. or abroad, which could require costlyefforts to protect our technology. Policing the unauthorized use of our technology, trademarks and other proprietary rights is expensive,difficult and, in some cases, impracticable. Litigation may be necessary in the future to enforce or defend our intellectual propertyrights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation couldresult in substantial costs and diversion of management resources, either of which could harm our business. Accordingly, despite our efforts,we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property, which may harm our business,financial condition and results of operations.Â The impact of natural disasters and other business interruptionscould negatively impact our supply chain and customers resulting in an adverse impact to our revenues and profitability.Â Certain of our components and other materials used in producing our productsare from regions susceptible to natural disasters. A natural disaster could damage equipment and inventory at our suppliersâ€™ facilities,adversely affecting our supply chain. If we are unable to obtain these materials, we could experience a disruption to our supply chainthat would hinder our ability to produce our products in a timely manner, or cause us to seek other sources of supply, which may be morecostly or which we may not be able to procure on a timely basis. In addition, our customers may not follow their normal purchasing patternsor temporarily cease purchasing from us due to impacts to their businesses in the region, creating unexpected fluctuations or decreasesin our revenues and profitability. Natural disasters in other parts of the world on which our operations are reliant also could have materialadverse impacts on our business.Â In addition, our operations and those of our suppliers are vulnerable tointerruption by fire, earthquake, power loss, telecommunications failure, cybersecurity breaches, IT systems failure, terrorist attacksand other events beyond our control, including the effects of climate change. A substantial portion of our facilities, including our corporateheadquarters and other critical business operations, are located near major earthquake faults and, therefore, may be more susceptibleto damage if an earthquake occurs. We do not carry earthquake insurance for direct earthquake-related losses. If a business interruptionoccurs, whether due to a natural disaster or otherwise, our business could be materially and adversely affected.Â Â Â Â 39Â Â Â Risks Related to Liquidity and Capital ResourcesÂ We maintain cash deposits in excess of federally insured limits.Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.Â We regularly maintain domestic cash deposits in the Federal Deposit InsuranceCorporation (â€œFDICâ€) insured banks, which exceed the FDIC insurance limits. Bank failures, events involving limited liquidity,defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, maylead to widespread demands for customer withdrawals and liquidity constraints that may result in market-wide liquidity problems. For example,in March 2023, Silicon Valley Bank (â€œSVBâ€), Signature Bank Corp. and Silvergate Capital Corp. each failed and was taken intoreceivership by the FDIC. At that time, we maintained deposits amounting to approximately 85% of our total cash at SVB. While we wereable to regain full access to our deposits with SVB and have taken steps to diversify our banking relationships since then, our loan agreementwith SVB currently requires us to hold 50% of our company-wide cash balances at SVB. Consequently, any future failure of that bank couldsimultaneously prevent access to both a substantial portion of our cash holdings and to our credit line for funds needed to meet our workingcapital requirements and other financial commitments. Our cash balances are concentrated at a small number of financial institutions.In addition, current macroeconomic conditions caused turmoil in the banking sector since the failure of SVB. A failure to timely accessour cash on deposit with SVB or other banks could require the scaling back of our operations and production, negatively affect our credit,and prevent us from fulfilling contractual obligations. Moreover, there can be no assurance that our deposits in excess of the FDIC orother comparable insurance limits will be backstopped by the U.S. or any applicable foreign government in the future or that any bankor financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions orby acquisition in the event of a future failure or liquidity crisis, and such uninsured deposits may ultimately be lost. In addition,if any of the parties with whom we conduct business are unable to access funds due to the status of their financial institution, suchpartiesâ€™ ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to uscould be adversely affected.Â We have a history of losses.Â We have historically incurred net losses. There can be no assurance thatwe will generate net profits in future periods.Â Further, there can be no assurance that we will be cash flow positive in future periods.Â Inthe event that we fail to achieve profitability in future periods, the value of our common stock may decline.Â In addition, if weare unable to achieve or maintain positive cash flows, we would be required to seek additional funding, which may not be available onfavorable terms, if at all.Â We may need additional capital and it may not be available on acceptableterms, or at all. Â To remain competitive, we must continue to make significant investmentsto operate our business and develop our products. Our future capital requirements will depend on many factors, including the timing andamount of our net revenue, research and development expenditures, expenses associated with any strategic partnerships or acquisitionsand infrastructure investments, and expenses related to litigation, each of which could negatively affect our ability to generate additionalcash from operations. If cash generated from operations is insufficient to satisfy our working capital requirements, we may need to raiseadditional capital. Looking ahead at long-term needs, we may need to raise additional funds for a number of purposes, including, but notlimited to:Â Â Â· to fund working capital requirements; Â Â Â Â Â· to update, enhance or expand the range of products we offer; Â Â Â Â Â· to refinance existing indebtedness; Â Â Â Â Â· to increase our sales and marketing activities; Â Â Â Â Â· to respond to competitive pressures or perceived opportunities, such as investment, acquisition and international expansion activities; or Â Â Â Â Â· to acquire additional businesses Â Â Â Â 40Â Â Â We may seek additional capital from public or private offerings of ourcapital stock, borrowings under our existing or future credit lines or other sources. If we issue equity or debt securities to raise additionalfunds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privilegessenior to those of our existing stockholders. In addition, if we raise additional funds through collaborations, licensing, joint ventures,or other similar arrangements, it may be necessary to relinquish valuable rights to our potential future products or proprietary technologies,or grant licenses on terms that are not favorable to us. There can be no assurance that we will be able to raise any needed capital onterms acceptable to us, if at all. If we are unable to secure additional financing in sufficient amounts or on favorable terms, we maynot be able to develop or enhance our products, take advantage of future opportunities, respond to competition or continue to operateour business.Â The terms of our Senior Credit Facilities may restrict ourfinancial and operational flexibility and, in certain cases, our ability to operate.Â The terms of our existing term loan and revolving credit facility restrict,among other things, our ability to incur liens, incur indebtedness, dispose of assets, make investments, make certain restricted payments,merge or consolidate and enter into certain speculative hedging arrangements. Further, we are currently and may in the future be requiredto maintain specified financial ratios, including pursuant to a maximum leverage ratio, a minimum fixed charge coverage ratio or a minimumliquidity test. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and there can be noassurance that we will meet those tests. Pursuant to our amended credit agreement and the related loan and security agreement, we havepledged substantially all of our assets to our senior lender, SVB. In addition, our loan agreement with SVB currently requires us to hold50% of our company-wide cash balances at SVB, which may limit our ability to manage our cash holdings effectively.Â Risks Related to International OperationsÂ Rising concern regarding international tariffs could materially andadversely affect our business and results of operations.Â The current political landscape has introduced significant uncertaintywith respect to future trade regulations and existing international trade agreements, as shown by the U.S.-initiated renegotiation ofthe North America Free Trade Agreement, Brexit in Europe, and the current war between Ukraine and Russia. This uncertainty includes thepossibility of imposing tariffs or penalties on products manufactured outside the U.S., including the U.S. governmentâ€™s increasedtariffs on a range of products from China and subsequent tariffs imposed by the U.S. as well as tariffs imposed by trading partners onU.S. goods, the potential for increased trade barriers between the U.K. and the European Union, and export controls or other retaliatoryactions against, or restrictions on doing business with Russia, as well as any resulting disruption, instability or volatility in theglobal markets and industries resulting from such conflict. The institution of trade tariffs both globally and between the U.S. and Chinaspecifically, carries the risk of negatively affecting the overall economic conditions of both China and the U.S., which could have anegative impactÂ on us.Â We cannot predict whether, and to what extent, there may be changes tointernational trade agreements or whether quotas, duties, tariffs, exchange controls or other restrictions on our products will be changedor imposed. If we are unable to source our products from the countries where we wish to purchase them, either because of regulatory changesor for any other reason, or if the cost of doing so increases, it could have a material adverse effect on our business, financial conditionand results of operations. Furthermore, imposition of tariffs may result in local sourcing initiatives, or other developments that makeit more difficult to sell our products in foreign countries, which would negatively impact our business and operating results.Â Â Â Â 41Â Â Â We face risks associated with our international operations that couldimpair our ability to grow our revenues abroad as well as our overall financial condition.Â We believe that our future growth is dependent in part upon our abilityto increase sales in international markets. These sales are subject to a variety of risks, including geopolitical events, fluctuationsin currency exchange rates, tariffs, import restrictions and other trade barriers, unexpected changes in regulatory requirements, longeraccounts receivable payment cycles, potentially adverse tax consequences, and export license requirements. In addition, we are subjectto the risks inherent in conducting business internationally, including political and economic instability and unexpected changes in diplomaticand trade relationships. In many markets where we operate, business and cultural norms are different than those in the U.S., and practicesthat may violate laws and regulations applicable to us such as the Foreign Corrupt Practices Act (the â€œFCPAâ€) unfortunatelyare more commonplace. Although we have implemented policies and procedures with the intention of ensuring compliance with these laws andregulations, our employees, contractors and agents, as well as distributors and resellers involved in our international sales, may takeactions in violation of our policies. Many of our vendors and strategic business allies also have international operations and are subjectto the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adverselyaffected if one or more of our business partners are not able to successfully manage these risks. There can be no assurance that one ormore of these factors will not have a material adverse effect on our business strategy and financial condition.Â Foreign currency exchange rates may adversely affect our results.Â We are exposed to market risk primarily related to foreign currencies andinterest rates. In particular, we are exposed to changes in the value of the U.S. dollar versus the local currency in which our productsare sold and our services are purchased, including devaluation and revaluation of local currencies. Accordingly, fluctuations in foreigncurrency rates could adversely affect our revenues and operating results.Â Risks Related to Regulatory Compliance and Legal MattersÂ Our inability to obtain appropriate industry certifications or approvalsfrom governmental regulatory bodies could impede our ability to grow revenues in our wireless products.Â The sale of our wireless productsÂ in some geographical markets issometimes dependent on the ability to gain certifications and/or approvals by relevant governmental bodies. In addition, many of our productsare certified as meeting various industry quality and/or compatibility standards.Â Failure to obtain these certifications or approvals,or delays in receiving any needed certifications or approvals, could impact our ability to compete effectively or at all in these marketsand could have an adverse impact on our revenues.Â Our failure to comply effectively with regulatory laws pertainingto our foreign operations could have a material adverse effect on our revenues and profitability.Â We are required to comply with U.S. government export regulations in thesale of our products to foreign customers, including requirements to properly classify and screen our products against a denied partieslist prior to shipment. We are also required to comply with the provisions of the FCPA and all other anti-corruption laws, such as theU.K. Anti-Bribery Act, of all other countries in which we do business, directly or indirectly, including compliance with the anti-briberyprohibitions and the accounting and recordkeeping requirements of these laws. Violations of the FCPA or other similar laws could triggersanctions, including ineligibility for U.S. government insurance and financing, as well as large fines. Failure to comply with the aforementionedregulations could also affect our decision to sell our products in international jurisdictions, which could have a material adverse effecton our revenues and profitability.Â Â Â Â 42Â Â Â Our failure to comply effectively with the requirements of applicableenvironmental legislation and regulation could have a material adverse effect on our revenues and profitability.Â Certain states and countries have passed regulations relating to chemicalsubstances in electronic products and requiring electronic products to use environmentally friendly components. For example, the EuropeanUnion has the Waste Electrical and Electronic Equipment Directive, the Restrictions of Hazardous Substances Directive, and the Regulationon Registration, Evaluation, Authorization and Restriction of Chemicals. In the future, China and other countries including the U.S. areexpected to adopt further environmental compliance programs. In order to comply with these regulations, we may need to redesign our productsto use different components, which may be more expensive, if they are available at all. If we fail to comply with these regulations, wemay not be able to sell our products in jurisdictions where these regulations apply, which could have a material adverse effect on ourrevenues and profitability.Â Increasing scrutiny and evolving expectations from investors, customers,lawmakers, regulators, and other stakeholders regarding environmental, social and governance practices and disclosures may adversely affectour reputation, adversely impact our ability to attract and retain employees or customers, expose us to increased scrutiny from the investmentcommunity or enforcement authorities or otherwise adversely impact our business and results of operations.Â There is increasing scrutiny and evolving expectations from investors,customers, lawmakers, regulators, and other stakeholders on environmental, social and governance (â€œESGâ€) practices and disclosures,including those related to environmental stewardship, climate change, diversity, equity and inclusion, forced labor, racial justice, andworkplace conduct. Regulators have imposed, and likely will continue to impose, ESG-related rules and guidance, which may conflict withone another and impose additional costs on us or expose us to new or additional risks. Moreover, certain organizations that provide informationto investors have developed ratings for evaluating companies on their approach to different ESG-related matters, and unfavorable ratingsof us or our industry may lead to negative investor sentiment and the diversion of investment to other companies or industries. As a smallercompany, we may not have resources to meet the evolving ESG-related expectations of an investment community.Â Â Current or future litigation, including related to intellectual property,could adversely affect us.Â We are subject to a wide range of claims and lawsuits in the course ofour business. Any lawsuit may involve complex questions of fact and law and may require the expenditure of significant funds and the diversionof other resources. The results of litigation are inherently uncertain, and adverse outcomes are possible. Adverse outcomes may have amaterial adverse effect on our business, financial condition or results of operations.Â In particular, litigation regarding intellectual property rights occursfrequently in our industry. There is a risk that other third parties could claim that our products, or our customersâ€™ products,infringe on their intellectual property rights or that we have misappropriated their intellectual property. In addition, software, businessprocesses and other property rights in our industry might be increasingly subject to third-party infringement claims as the number ofcompetitors grows and the functionality of products in different industry segments overlaps. Other parties might currently have, or mighteventually be issued, patents that pertain to the proprietary rights we use. Any of these third parties might make a claim of infringementagainst us. The results of litigation are inherently uncertain, and adverse outcomes are possible.Â Â Â Â 43Â Â Â Responding to any infringement claim, regardless of its validity, could:Â Â Â· be time-consuming, costly and/or result in litigation; Â Â Â Â Â· divert managementâ€™s time and attention from developing our business; Â Â Â Â Â· require us to pay monetary damages, including treble damages if we are held to have willfully infringed; Â Â Â Â Â· require us to enter into royalty and licensing agreements that we would not normally find acceptable; Â Â Â Â Â· require us to stop selling or to redesign certain of our products; or Â Â Â Â Â· require us to satisfy indemnification obligations to our customers. Â If any of these occur, our business, financial condition or results ofoperations could be adversely affected.Â General Risk FactorsÂ High interest rates may negatively impact our results of operationsand financing costs. Â Interest rates are highly sensitive to many factors that are beyond ourcontrol, including general economic conditions and policies of various governmental and regulatory agencies. In an effort to combat inflation,a number of central banks around the world, including the U.S., raised interest rates and may continue to raise them in the future. Higherinterest rates may hinder the economic growth in markets where we do business, and has and may continue to have negative impacts on theglobal economy. Rising interest rates may lead customers to decrease or delay spending on products and projects, including on productsthat we sell, which may have a material adverse effect on our business, financial condition and results of operations. In addition, higherinterest rates impact the amount of interest we pay for our debt obligations and leases and continue and sustained increases in interestrates could negatively impact our financing costs or cash flow.Â We previously identified a material weaknessin our internal control related to ineffective information technology general controls which, if not remediated appropriately or timely,could result in loss of investor confidence and adversely impact our stock price.Â Internal controls related to the operation of technologysystems are critical to maintaining adequate internal control over financial reporting. As disclosed in Part II, Item 9A, during fiscal2023, management identified a material weakness related to the design and implementation of information technology general controls relatedto the Companyâ€™s information systems that are relevant to the preparation of consolidated financial statements. Specifically, wedid not design and maintain user access controls to adequately restrict user access to the financial application and data to appropriateCompany personnel. As a result, management concluded that our internal control over financial reporting was not effective as of June 30,2023 and June 30, 2024. We have implemented remedial measures and expect to remediate the material weakness prior to the end of fiscal2025. If we are unable to remediate the material weakness, or are otherwise unable to maintain effective internal control over financialreporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to preparefinancial statements within required time periods, could be adversely affected, which could subject us to litigation or investigationsrequiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statementsand adversely impact our stock price.Â Â Â Â 44Â Â Â If we are unable to attract, retain or motivate key senior managementand technical personnel, it could materially harm our business.Â Our financial performance depends substantially on the performance of ourexecutive officers and of key engineers, marketing and sales employees. We are particularly dependent upon our technical personnel, dueto the specialized technical nature of our business. If we were to lose the services of our executive officers or any of our key personneland were not able to find replacements in a timely manner, our business could be disrupted, other key personnel might decide to leave,and we might incur increased operating expenses associated with finding and compensating replacements.Â Our quarterly operating results may fluctuate, which could causethe market price of our common stock to decline.Â We have experienced, and expect to continue to experience, significantfluctuations in net revenue, expenses and operating results from quarter to quarter. We therefore believe that quarter to quarter comparisonsof our operating results are not a good indication of our future performance, and you should not rely on them to predict our future operatingor financial performance or the future performance of the market price of our common stock. A high percentage of our operating expensesare relatively fixed and are based on our forecast of future revenue. If we were to experience an unexpected reduction in net revenuein a quarter, we would likely be unable to adjust our short-term expenditures significantly. If this were to occur, our operating resultsfor that fiscal quarter would be harmed. In addition, if our operating results in future fiscal quarters were to fall below the expectationsof equity analysts and investors, the market price of our common stock would likely fall.Â The market price of our common stock may be volatile based on a numberof factors, many of which are not under our control.Â The market price of our common stock has been highly volatile. The marketprice of our common stock could be subject to wide fluctuations in response to a variety of factors, many of which are out of our control,including:Â Â Â· adverse changes in domestic or global economic, market and other conditions; Â Â Â Â Â· new products or services offered by our competitors; Â Â Â Â Â· our completion of or failure to complete significant one-time sales of our products; Â Â Â Â Â· actual or anticipated variations in quarterly operating results; Â Â Â Â Â· changes in financial estimates by securities analysts; Â Â Â Â Â· announcements of technological innovations; Â Â Â Â Â· our announcement of significant mergers, acquisitions, strategic partnerships, joint ventures or capital commitments; Â Â Â Â Â· conditions or trends in the industry; Â Â Â Â Â· additions or departures of key personnel; Â Â Â Â Â· increased competition from industry consolidation; and Â Â Â Â Â· sales of common stock by our stockholders or us or repurchases of common stock by us. Â In addition, the Nasdaq Capital Market often experiences price and volumefluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of companies listed on theNasdaq Capital Market.Â Â Â Â 45Â Â Â Item 2. Unregistered Sales of Equity Securities and Use of Proceeds Â None.Â Item 3. Defaults Upon Senior Securities Â None.Â Item 4. Mine Safety Disclosures Â Not applicable.Â Item 5. Other Information Â Insider Trading ArrangementsÂ During the quarterended September 30, 2024, no director or officer of the CompanyÂ adoptedÂ orÂ terminated a â€œRule 10b5-1trading arrangementâ€ or â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408(a) ofRegulation S-K.Â Item 6. Exhibits Â Â Â Â Â Â Â Incorporated by Reference Exhibit Number Â Description Â Provided Herewith Â Form Â Exhibit Â Filing Date Â Â Â Â Â Â Â Â Â Â Â 3.1 Â Amended and Restated Certificate of Incorporation of Lantronix, Inc., as amended Â Â Â 10-K Â 3.1 Â 08/29/2013 Â Â Â Â Â Â Â Â Â Â Â 3.2 Â Amended and Restated Bylaws of Lantronix, Inc. Â Â Â 8-K Â 3.2 Â 11/15/2012 Â Â Â Â Â Â Â Â Â Â Â 10.1 Â Fourth Amendment to Third Amended and Restated Loan and Security Agreement dated September 3, 2024 among Lantronix, Inc., Lantronix Holding Company, Lantronix Canada, ULC and Lantronix Technologies Canada (Taiwan) Ltd., Transition Networks, Inc., Uplogix, Inc. and Silicon Valley Bank Â Â Â 10-K Â 10.42 Â 09/09/2024 Â Â Â Â Â Â Â Â Â Â Â 10.2 Â Letter Agreement dated September 14, 2024 between Lantronix, Inc. and Brent Stringham Â Â Â 8-K Â 10.1 Â 09/16/2024 Â Â Â Â Â Â Â Â Â Â Â 10.3 Â Lantronix, Inc. 2020 Performance Incentive Plan, as amended and restated Â Â Â 8-K Â 10.1 Â 11/06/2024 Â Â Â Â Â Â Â Â Â Â Â 31.1 Â Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â X Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 31.2 Â Certification of Principal Financial OfficerÂ pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Â X Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 32.1+ Â Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Â X Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â 101.INS Â Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document Â X Â Â Â Â Â Â 101.SCH Â Inline XBRL Taxonomy Extension Schema Document Â X Â Â Â Â Â Â 101.CAL Â Inline XBRL Taxonomy Extension Calculation Linkbase Document Â X Â Â Â Â Â Â 101.DEF Â Inline XBRL Taxonomy Extension Definition Linkbase Document Â X Â Â Â Â Â Â 101.LAB Â Inline XBRL Taxonomy Extension Label Linkbase Document Â X Â Â Â Â Â Â 101.PRE Â Inline XBRL Taxonomy Extension Presentation Linkbase Document Â X Â Â Â Â Â Â 104 Â Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) Â Â Â Â Â Â Â Â ________________ * Indicates management contract or compensatory plan, contract or arrangement. + Furnished, not filed. Â Â Â Â 46Â Â Â SIGNATURESÂ Pursuant to the requirements of the Securities ExchangeAct of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.Â Â LANTRONIX, INC. Â Â Â Â Â Date: November 8, 2024 By: /s/Â SALEEL AWSARE Â Â Saleel Awsare Â Â President and Chief Executive Officer Â Â (Principal Executive Officer) Â Â Â Â By: /s/Â BRENT STRINGHAM Â Â Brent Stringham Â Â Chief Accounting Officerand Interim Chief Financial Officer Â Â (Principal Financial and Accounting Officer) Â Â Â Â Â Â Â Â Â Â Â Â Â 47Â Â Exhibit 31.1Â CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERPURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACTOF 2002Â I, Saleel Awsare, certify that:Â Â 1. I have reviewed this quarterly report on Form 10-Q of Lantronix, Inc.; Â Â Â Â 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; Â Â 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; Â Â 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(f) and 15d-15(f)) for the registrant and have: Â Â (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; Â Â (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; Â Â (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and Â Â (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and Â Â 5. The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions): Â Â (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; and Â Â (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting. Â Date: November 8, 2024 /s/ Saleel AwsareÂ Â Saleel Awsare President and Chief Executive Officer (Principal Executive Officer) Â Exhibit 31.2Â CERTIFICATION OF PRINCIPAL FINANCIAL OFFICERPURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACTOF 2002Â I, Brent Stringham, certify that:Â Â 1. I have reviewed this quarterly report on Form 10-Q of Lantronix, Inc.; Â Â Â Â 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; Â Â 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; Â Â 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(f) and 15d-15(f)) for the registrant and have: Â Â (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; Â Â (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; Â Â (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and Â Â (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and Â Â 5. The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions): Â Â (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information; and Â Â (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting. Â Date: November 8, 2024 /s/ Brent StringhamÂ Â Brent Stringham Chief Accounting Officer and Interim Chief Financial Officer (Principal Financial and Accounting Officer) Â Exhibit 32.1Â CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEFFINANCIAL OFFICERPURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002Â The following certifications are being furnished solelyto accompany the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (the â€œReportâ€) pursuant toU.S.C. Section 1350, and pursuant to SEC Release No. 33-8238 are being â€œfurnishedâ€ to the Securities and Exchange Commissionrather than â€œfiledâ€ either as part of the Report or as a separate disclosure statement, and are not to be incorporated byreference into the Report or any other filing of Lantronix, Inc. (the â€œCompanyâ€), whether made before or after the date hereof,regardless of any general incorporation language in such filing. The following certifications shall not be deemed â€œfiledâ€for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section.Â Â Certification of the Chief Executive OfficerÂ Pursuant to 18 U.S.C. Section 1350, as adopted pursuantto Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of the Company hereby certifies, to such officerâ€™s knowledge,that:Â (i) the Report fully complies with the requirementsof Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; andÂ (ii) the information contained in the Report fairlypresents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presentedin such Report.Â Date: November 8, 2024 /s/ Saleel AwsareÂ Â Saleel Awsare President and Chief Executive Officer (Principal Executive Officer) Â Â Certification of the Chief Financial OfficerÂ Pursuant to 18 U.S.C. Section 1350, as adopted pursuantto Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of the Company hereby certifies, to such officerâ€™s knowledge,that:Â (i) the Report fully complies with the requirementsof Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; andÂ (ii) the information contained in the Report fairlypresents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presentedin such Report.Â Date: November 8, 2024 /s/ Brent StringhamÂ Â Brent Stringham Chief Accounting Officer and Interim Chief Financial Officer (Principal Financial and Accounting Officer) Â