

LANTRONIX INC
Form 8-K
September 30, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

September 28, 2010

LANTRONIX, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction
of incorporation)

1-16027
(Commission File Number)

33-0362767
(IRS Employer
Identification No.)

167 Technology Drive
Irvine, California 92618
(Address of principal executive offices, including zip code)

(949) 453-3990
(Registrant's telephone number, including area code)

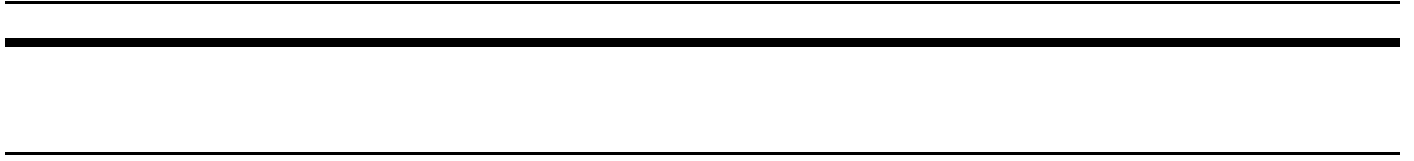
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



Item 1.01 Entry into a Material Definitive Agreement

On September 28, 2010 (the "Effective Date"), Lantronix, Inc. (the "Company") entered into an amendment to its Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank (the "Bank"), which provides for a three-year \$2 million Term Loan (the "Term Loan") and a two-year \$2 million Revolving Credit Facility (the "Revolving Credit Facility"). The proceeds of the Term Loan shall be used to first pay in full the \$611,111 outstanding obligation of the original term loan between the Company and the Bank made in August 2008. The Term Loan was funded on September 28, 2010 and is payable in 36 equal installments of principal and monthly accrued interest. Borrowings under the Term Loan and Revolving Credit Facility bear interest at the greater of either (i) 4.75% or (ii) prime rate plus 0.75% per annum. The Company is required to pay a fully earned, non-refundable commitment fee of \$20,000 and an additional amount of \$15,000 on the first anniversary of the Effective Date (as defined in the Loan Agreement). The borrowing capacity of the Revolving Credit Facility is limited to eligible accounts receivable as defined under the Loan Agreement.

The Company's obligations under the Loan Agreement are secured by substantially all of the Company's assets, including its intellectual property.

The Company is subject to a number of covenants under the Loan Agreement, pursuant to which, among other things, the Company has agreed that it will not, without the Bank's prior written consent: (a) sell, lease, transfer or otherwise dispose, any of the Company's business or property, provided, however, that the Company may sell inventory in the ordinary course of business consistent with the provisions of the Loan Agreement; (b) change the Company's business structure, liquidate or dissolve, or permit a change in beneficial ownership of more than 20% of the outstanding shares; (c) acquire, merge or consolidate with or into any other business organization; (d) incur any debts outside the ordinary course of the Company's business, except for permitted indebtedness, or grant any security interests in or permit a lien, claim or encumbrance upon all or any portion of the Company's assets, except in favor of or agreed to by the Bank; (e) make any investments other than permitted investments; (f) make or permit any payments on any subordinated debt, except under the terms of existing subordinated debt or on terms acceptable to the bank, or amend any provision in any document related to the subordinated debt that would increase the amount thereof; or (g) become an "investment company" as such term is defined under the Investment Company Act of 1940.

The Loan Agreement contains a number of affirmative covenants, including, among other things, covenants regarding the delivery of financial statements and notice requirements, accounts receivable, payment of taxes, access to collateral and books and records, maintenance of properties and insurance policies, and litigation by third parties.

The Loan Agreement also contains a number of events of default, including, among other things, non-payment of principal, interest or fees, violation of affirmative and negative covenants, cross default to certain other indebtedness, material adverse change, material judgments, bankruptcy and insolvency events.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

(a) The information set forth under Item 1.01 above is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 30, 2010

LANTRONIX, INC., a Delaware corporation

By: /s/ Reagan Y. Sakai
Reagan Y. Sakai
Chief Financial Officer and Secretary