

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 001-14891

FRANKLIN WIRELESS CORP.

(Exact name of Registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

95-373534

(I.R.S. Employer Identification Number)

3940 Ruffin Road

Suite C

San Diego, California

(Address of principal executive offices)

92123

(Zip code)

(858) 623-0000

Registrant's telephone number, including area code

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☐

Accelerated filer ☐

Smaller reporting company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's common stock on December 31, 2023, as reported by the NASDAQ, was approximately \$27,520,000. For the purpose of this calculation only, shares owned by officers, directors (and their affiliates) and 5% or greater stockholders have been excluded. The Registrant does not have any non-voting stock issued or outstanding.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, par value \$.001 per share

Trading symbol(s)

FKWL

Name of each exchange on which registered

The Nasdaq Stock Market LLC

The Registrant has 11,784,280 shares of common stock outstanding as of September 30, 2024.

**FRANKLIN WIRELESS CORP.
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FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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NOTE ON FORWARD LOOKING STATEMENTS

You should keep in mind the following points as you read this Report on Form 10-K:

- o the terms "we," "us," "our," "Franklin," "Franklin Wireless," or the "Company" refer to Franklin Wireless Corp.
- o our fiscal year ends on June 30; references to fiscal 2024 and fiscal 2023 and similar constructions refer to the fiscal year ended on June 30 of the applicable year.

This Annual Report on Form 10-K contains statements which, to the extent they do not recite historical fact, constitute "forward looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are used under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report on Form 10-K. You can identify these statements by the use of words like "may," "will," "could," "should," "project," "believe," "anticipate," "expect," "plan," "estimate," "forecast," "potential," "intend," "continue," and variations of these words or comparable words. Forward looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ substantially from the results that the forward looking statements suggest for various reasons, including those discussed under the caption "Risk Factors." These forward looking statements are made only as of the date of this Annual Report on Form 10-K. We do not undertake to update or revise the forward looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS.

BUSINESS OVERVIEW

Doing business as “FranklinAccess”, we are a leading global provider of integrated wireless solutions utilizing the latest 5G (fifth generation) and 4G LTE (fourth generation long-term evolution) technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions. We are a leading enabler of the Digital Divide initiative, and our expertise extends to innovation in Internet of Things (IOT) and machine-to-machine (M2M) applications, driving forward seamless communication and connectivity for both individuals and enterprises.

We have majority ownership of Franklin Technology Inc. (FTI), a research and development company based in Seoul, South Korea. FTI primarily provides design and development services for our wireless products.

Our products are generally marketed and sold directly to wireless operators and indirectly through strategic partners and distributors. Our primary markets are in North America and Asia.

OUR STRUCTURE

We incorporated in 1982 in California and reincorporated in Nevada on January 2, 2008. The reincorporation had no effect on the nature of our business or our management. Our headquarters are located in San Diego, California. This office provides marketing, sales, operations, finance and administrative support. It is also responsible for all customer-related activities, such as marketing communications, product planning, product management and customer support, along with sales and business development activities worldwide.

Our consolidated financial statements include accounts for the Company and its subsidiary, Franklin Technology Inc. (“FTI”). We have a majority voting interest of approximately 66.3% (approximately 33.7% is owned by non-controlling interests) in FTI as of June 30, 2024, and 2023. In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings (loss) are reduced by the portion of the net earnings (loss) of the subsidiary applicable to non-controlling interests.

Accounting Standards Codification (“ASC”) 280, “Segment Reporting,” requires public companies to report financial and descriptive information about their reportable operating segments. We identify our operating segments based on how our chief operating decision maker internally evaluates separate financial information, business activities and management responsibility. We have one reportable segment, consisting of the sale of wireless access products. We generate revenues from three geographic areas, consisting of North America and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

	Fiscal Year Ended June 30,	
	2024	2023
Net sales:		
North America	\$ 30,699,727	\$ 45,782,084
Asia	96,963	166,432
Totals	\$ 30,796,690	\$ 45,948,516
Long-lived assets, net (property and equipment and intangible assets):	June 30, 2024	June 30, 2023
North America	\$ 1,218,139	\$ 2,083,902
Asia	206,426	198,070
Totals	\$ 1,424,565	\$ 2,281,972

OUR PRODUCTS

We offer a wide variety of innovative integrated wireless solutions utilizing the latest 5G and 4G LTE technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions.

5G/4G Wireless Broadband Products

5G/4G LTE Wi-Fi Mobile Hotspot

- o Portable Wi-Fi hotspot routers that provide wireless Internet access with 5G/4G support for multiple simultaneously connected devices including laptops, tablets, and smart phones. Our Mobile Hotspot products help remote workers be productive while on the go and help students and educational institutions support remote learning activities.

5G/4G Fixed Wireless Routers

- o Enhanced routing gateway that can provide support for both wired and wireless connectivity, offering solutions for consumers looking to replace Cable or DSL service ensuring a reliable and high-speed internet access.

5G/4G Enterprise Gateway CPE

- o Enhanced routing gateway equipped with enterprise features offering solutions for enterprise customers looking to replace wired service, or wireless back-up for wired connections in a mission-critical environment or instant wireless connection in temporal locations.

Smart Box Solutions (In Development)

4G/5G M2M Gateway

- o Enhanced gateway supports both 4G and 5G networks, enabling reliable and secure machine-to-machine communication, essential for industrial applications and remote monitoring systems.

On-Device Artificial Intelligence (AI)

- o Integrating advanced AI capabilities directly into the devices, we provide real-time data processing and decision-making at the edge, enhancing efficiency and reducing latency for critical IoT applications.

Quvo Family Guardian Solutions

Parental Controls

- o Comprehensive parental control features, ensuring a safe and secure online environment for children by managing and monitoring their internet and application usage.

Senior Care

- o Enhancing senior care solutions for the safety and well-being of elderly family members through monitoring and assistance features tailored to their needs.

JEXtream MDM/NMS Solutions

"JEXtream" is Franklin's Cloud based telecom grade server platform for 5G devices and routers, enables enhanced remote management of device functionality.

Mobile Device Management (MDM)

- o Comprehensive management of mobile devices, ensuring security, compliance, and efficient operation across various mobile environments

Network Management System (NMS)

- o Robust tools for monitoring, managing, and optimizing network performance, ensuring reliable connectivity and operational excellence.

CUSTOMERS

Our global customer base is comprised of wireless operators, strategic partners and distributors located primarily in North America and Asia.

SALES AND MARKETING

We market and sell our products primarily to wireless operators located in North America and Asia regions mainly through our internal, direct sales organization and, to a lesser degree, indirectly through strategic partners and distributors. The sales process is supported with a range of marketing activities, including trade shows, product marketing and public relations.

All of our wireless devices must pass Federal Communications Commission (FCC) testing in order to be sold in United States markets. Global Certification Forum ("GCF") test certifications are required in order to launch any wireless data products with wireless operators in North America. PCS Type Certification Review Board ("PTCRB") test certifications also are required for all LTE and HSPA/GSM wireless data products. Other LTE and 5G test certifications, as defined by the 3GPP governing body, are required for LTE and 5G wireless data products. Certifications are issued as being a qualifier of GCF, PTCRB, IEEE, CE, UL, Wi-Fi alliance certification and 3GPP standards.

PRODUCTION AND MANUFACTURING OPERATIONS

For the fiscal year ended June 30, 2024, the manufacturing of the majority of our products was performed by two independent companies located in Asia.

EMPLOYEES

As of June 30, 2024, we had 69 total employees at Franklin and FTI combined. We also use the services of consultants and contract workers from time to time. Our employees are not represented by any collective bargaining organization, and we have never experienced a work stoppage.

ITEM 1A: RISK FACTORS.

The following risk factors do not purport to be a complete explanation of the risks involved in our business.

WE MAY NEED ADDITIONAL FINANCING FOR PRODUCT DEVELOPMENT. Our financial resources are sufficient for our current operational needs; however, the amount of funding required to develop and commercialize our products and technologies is highly uncertain. Adequate funds may not be available when needed or on terms satisfactory to us. Lack of funds may cause us to delay, reduce and/or abandon certain or all aspects of our development and commercialization programs. We may seek additional financing through the issuance of equity or convertible debt securities. In such event, the percentage ownership of our stockholders would be reduced, stockholders may experience additional dilution, and such securities may have rights, preferences, and privileges senior to those of our Common Stock. There can be no assurance that additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our expansion, take advantage of desirable acquisition opportunities, develop, or enhance services or products or respond to competitive pressures. Such inability could have a materially adverse effect on our business, results of operations and financial conditions.

WE MAY INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS. The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive, claims from third parties alleging that we, and possibly our customers, violate their intellectual property rights. Rights to intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may be able to, and may choose to, pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- o We may be liable for potentially substantial damages, liabilities, and litigation costs, including attorneys' fees;
- o We may be prohibited from further use of the intellectual property and may be required to cease selling our products that are subject to the claim;
- o We may have to license third-party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- o We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- o The diversion of management's attention and resources;
- o Our relationships with customers may be adversely affected; and
- o We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

In the event of an unfavorable outcome in such a claim and our inability to either obtain a license from the third party or develop a non-infringing alternative, then our business, operating results and financial condition may be materially adversely affected and we may have to restructure our business.

Absent a specific claim for infringement of intellectual property, from time to time we have and expect to continue to license technology, intellectual property, and software from third parties. There is no assurance that we will be able to maintain our third-party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products. In addition, there is no assurance that third party licenses we execute will be on commercially reasonable terms.

Under purchase orders and contracts for the sale of our products we may provide indemnification to our customers for potential intellectual property infringement claims for which we may have no corresponding recourse against our third-party licensors. This potential liability, if realized, could materially adversely affect our business, operating results, and financial condition.

WE OPERATE IN AN INTENSIVELY COMPETITIVE MARKET. The wireless broadband data access market is highly competitive, and we may be unable to compete effectively. Many of our competitors or potential competitors have significantly greater financial, technical, and marketing resources than we do. To survive and be competitive, we will need to continuously invest in research and development, sales and marketing, and customer support. Increased competition could result in price reductions, and smaller customer orders. Our failure to compete effectively could seriously impair our business.

WE OPERATE IN THE HIGH-RISK TELECOM SECTOR. We are in a volatile industry. In addition, our revenue model is evolving and relies substantially on the assumption that we will be able to successfully complete the development and sales of our products and services in the marketplace. Our prospects must be considered in the light of the risk, uncertainties, expenses, and difficulties frequently encountered by companies in the early stages of development and marketing of new products. To be successful in the market we must, among other things:

- o Complete development and introduction of functional and attractive products and services;
- o Attract and maintain customer loyalty;
- o Establish and increase awareness of our brand and develop customer loyalty;
- o Provide desirable products and services to customers at attractive prices;
- o Establish and maintain strategic relationships with strategic partners and affiliates;
- o Rapidly respond to competitive and technological developments;
- o Build operations and customer service infrastructure to support our business; and
- o Attract, retain, and motivate qualified personnel.

We cannot guarantee that we will be able to achieve these goals, and our failure to achieve them could adversely affect our business, results of operations, and financial condition. We expect that revenues and operating results will fluctuate in the future. There is no assurance that any or all our efforts will produce a successful outcome.

WE OPERATE IN THE HIGH-RISK HARDWARE DESIGN INDUSTRY. We are in a volatile industry. In this industry it should be expected that:

- o Latent design flaws can be discovered, even after a device has been certified;
- o Latent component defects can be discovered in critical systems, including batteries, LCDs, chargers, and other systems;
- o Manufacturing defects and flaws will occur during device production.

WE OPERATE IN THE HIGH-RISK SOFTWARE INDUSTRY. This industry has numerous and significant known risks. In this industry it should be expected that:

- o Latent design flaws and security defects will be discovered, even after a device has been tested and approved;
- o Code within a program will fail to operate as intended due to updates or changes in other systems;
- o Hacking and malicious actions by outside parties can damage or alter coding and system integrity.

POTENTIAL DESIGN AND MANUFACTURING DEFECTS COULD OCCUR. Our product and service offerings may have quality issues from time to time, due to defects in software design, hardware design or component manufacturing. As a result, our products and services may not perform as anticipated and may not meet customer expectations. Component defects could make our products unsafe and create a risk of environmental or property damage and personal injury. There can be no assurance we will be able to detect and address all issues and defects in the hardware, software, and services we offer. Failure to do so could result in widespread technical and performance issues affecting our products and services. In addition, we may be exposed to product liability claims, recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment, and/or intangible assets, and significant warranty and other expenses, including litigation costs and regulatory fines.

WE OPERATE IN A FIELD WITH RAPIDLY CHANGING TECHNOLOGY. We cannot be certain that our products and services will function as anticipated or be desirable to our intended markets. Our current or future products and services may fail to function properly, and if our products and services do not achieve and sustain market acceptance, our business, results of operations and profitability may suffer. If we are unable to predict and comply with evolving wireless standards, our ability to introduce and sell new products will be adversely affected. If we fail to develop and introduce products on time, we may lose customers and potential product orders.

WE DEPEND ON THE DEMAND FOR WIRELESS NETWORK CAPACITY. The demand for our products is completely dependent on the demand for broadband wireless access to networks. If wireless operators do not deliver acceptable wireless service, our product sales may dramatically decline. Thus, if wireless operators experience financial or network difficulties, it will likely reduce demand for our products. These are beyond our ability to control and can either increase or decrease demand for our products.

PANDEMIC OUTBREAKS CAN CAUSE VOLATILE CHANGES IN THE MARKET. Demand for wireless access can rise and fall greatly during times of pandemic outbreaks, such as COVID-19, as more people may be required to work remotely, and schools may be required to operate remote classrooms. When an outbreak ends, or becomes more controlled, demand for wireless devices could decline rapidly, decreasing demand for our products. Pandemic outbreaks can also disrupt supply chains, manufacturing operations, and shipping. These disruptions can make product fulfillment difficult, delayed, or impossible. All these changes are beyond our ability to control and can cause revenue and income to change dramatically.

WE DEPEND ON COLLABORATIVE ARRANGEMENTS. The development and commercialization of our products and services depend in large part upon our ability to selectively enter and maintain collaborative arrangements with developers, distributors, service providers, network systems providers, core wireless communications technology providers and manufacturers, among others.

THE LOSS OF ANY OF OUR MATERIAL CUSTOMERS COULD ADVERSELY AFFECT OUR REVENUES AND PROFITABILITY, AND THEREFORE SHAREHOLDER VALUE. We depend on a small number of customers for a significant portion of our revenues. For the year ended June 30, 2024, net revenues from our two largest customers represented 68% and 23% of our consolidated net sales, respectively. We have a written agreement with each of these customers that governs the sale of products to them, but the agreements do not obligate them to purchase any quantity of products from us. If these customers were to reduce their business with us, our revenues and profitability could materially decline.

OUR PRODUCT DELIVERIES ARE SUBJECT TO LONG LEAD TIMES. We often experience long lead times to ship products, often more than 45 days. This could cause us to lose customers, who may be able to secure faster delivery times from our competitors and require us to maintain higher levels of working capital.

OUR PRODUCT-TO-MARKET CHALLENGE IS CRITICAL. Our success depends on our ability to quickly enter the market and establish an early mover advantage. We must implement an aggressive sales and marketing campaign to solicit customers and strategic partners. Any delay could seriously affect our ability to establish and exploit effectively an early-to-market strategy.

AS OUR BUSINESS EXPANDS INTERNATIONALLY, WE WILL BE EXPOSED TO ADDITIONAL RISKS RELATING TO INTERNATIONAL OPERATIONS. Our expansion into international operations exposes us to additional risks unique to such international markets, including the following:

- o Increased credit management risks and greater difficulties in collecting accounts receivable;
- o Unexpected changes in regulatory requirements, wireless communications standards, exchange rates, trading policies, tariffs, and other barriers;
- o Uncertainties of laws and enforcement relating to the protection of intellectual property;
- o Language barriers; and
- o Potential adverse tax consequences.

Furthermore, if we are unable to further develop distribution channels in countries in North America, the Caribbean and South America, EMEA (Europe, the Middle East and Africa), and Asia, we may not be able to grow our international operations, and our ability to increase our revenue will be negatively impacted.

We believe that our products are currently exempt from international tariffs. If this were to change at any point, a tariff of 10%-25% of the purchase price could be imposed. If such tariffs are imposed, they could have a materially adverse effect on sales and operating results.

GOVERNMENT REGULATION COULD RESULT IN INCREASED COSTS AND INABILITY TO SELL OUR PRODUCTS. Our products are subject to certain mandatory regulatory approvals in the United States and other regions in which we operate. In the United States, the Federal

Communications Commission regulates many aspects of communications devices. Although we have obtained all the necessary Federal Communications Commission and other required approvals for the products we currently sell, we may not obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change, or we may not be able to obtain regulatory approvals from countries other than the United States in which we may desire to sell products in the future.

EVENTS THAT COULD REDUCE OR IMPAIR OUR ABILITY TO GENERATE REVENUES.

- o The marketability of our products may suffer if wireless telecommunications operators do not deliver acceptable wireless services.
- o If customers do not adopt our software, we may not be able to monetize these software assets and realize a key part of our growth and profitability strategy.
- o The market for the products and services that we offer is rapidly evolving and highly competitive. We may be unable to compete effectively.
- o If we fail to develop and maintain strategic relationships, we may not be able to penetrate new markets.
- o If we fail to develop and timely introduce new products and services or enter new markets for our products and services successfully, we may not achieve our revenue targets, or we may lose key customers or sales, and our business could be harmed.

EVENTS THAT COULD IMPAIR OUR ABILITY TO DEVELOP, MANUFACTURE AND DELIVER OUR SOLUTIONS.

- o We rely on third parties to manufacture and warehouse many of our products, which exposes us to a number of risks and uncertainties outside our control.
- o We depend on sole source suppliers for some components used in our products. The availability and sale of those services would be harmed if any of these suppliers is not able to meet our demand and alternative suitable products are not available on acceptable terms, or at all.
- o Natural disasters, public health crises, political crises and other catastrophic events or other events outside of our control could damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending.
- o If disruptions in our transportation network occur or our shipping costs substantially increase, we may be unable to sell or timely deliver our products, and our operating expenses could increase.
- o We may be unable to adequately control the costs or maintain adequate supply of components and raw materials associated with our operations.
- o If we do not effectively manage our sales channel inventory and product mix, we may incur costs associated with excess inventory or lose sales from having too few products.
- o Product liability, product replacement or recall costs could adversely affect our business and financial performance.
- o We rely on third-party software and other intellectual property to develop and provide our solutions and significant increases in licensing costs or defects in third-party software could harm our business.
- o Our solutions integrate with third-party technologies and if our solutions become incompatible with these technologies, our solutions would lose functionality, and our customer acquisition and retention could be adversely affected.

LEGAL AND REGULATORY CHANGES THAT COULD REDUCE OR IMPAIR OUR ABILITY TO OPERATE.

- o Evolving regulations and changes in applicable laws relating to data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.
- o Enhanced United States fiscal, tax and trade restrictions and executive and legislative actions could adversely affect our business, financial condition, and results of operations.
- o The increasing focus on environmental sustainability and social initiatives could increase our costs, harm our reputation and adversely impact our financial results.
- o An assertion by a third party that we are infringing its intellectual property could subject us to costly and time-consuming litigation or expensive licenses and our business could be harmed.
- o If we are unable to protect our intellectual property and proprietary rights, our competitive position and our business could be harmed.

POTENTIAL NEGATIVE IMPACTS RELATED TO INTERNATIONAL OPERATIONS.

- o Due to the global nature of our operations, we are subject to political and economic risks of doing business internationally.
- o Weakness or deterioration in global economic conditions or jurisdictions where we have significant foreign operations could have a material adverse effect on our results of operations and financial condition.

- o Weakness or deterioration in global political conditions where we have significant business interests could have a material adverse effect on our business, results of operations and financial condition.
- o Fluctuations in foreign currency exchange rates could adversely affect our results of operations.
- o Unionization efforts in certain countries in which we operate could materially increase our costs or limit our flexibility.
- o Our international operations may increase our exposure to potential liability under anti-corruption, trade protection, tax and other laws and regulations.
- o A governmental challenge to our transfer pricing policies or practices could impose significant costs on us.

EVENTS THAT COULD HARM BUSINESS DEVELOPMENT ACTIVITIES AND IMPAIR OR REDUCE REVENUE.

- o We may acquire companies and businesses, and/or divest assets or businesses. The completion of acquisition or divestiture transactions could have an adverse effect on our financial condition.
- o If our goodwill and acquired intangible assets become impaired, we may be required to record a significant charge to earnings.

POTENTIAL EVENTS THAT COULD NEGATIVELY IMPACT THE VALUE OF OUR SECURITIES.

- o Our share price has been highly volatile in the past and could be highly volatile in the future.
- o Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited
- o The price of our stock may be vulnerable to manipulation, including through short sales.
- o Ownership of our common stock is concentrated, and as a result, certain stockholders may exercise significant influence over the Company.
- o We do not currently intend to pay dividends on our common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation, if any, in the price of our common stock.
- o If financial or industry analysts do not publish research or reports about our business, or if they issue negative or misleading evaluations of our stock, our stock price and trading volume could decline.
- o If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to report our financial results timely and accurately, which could adversely affect investor confidence in us, and in turn, our results of operations and our stock price.
- o If the accounting estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.
- o Changes to the accounting systems or new accounting system implementations may be ineffective or cause delays in our ability to record transactions and/or provide timely financial results.
- o Any changes to existing accounting pronouncements or taxation rules or practices may cause adverse fluctuations in our reported results of operations or affect how we conduct our business.
- o Our quarterly operating results have fluctuated in the past and may fluctuate in the future, which could cause declines or volatility in the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY.

Cybersecurity risk management is an integral part of our overall enterprise risk management program. The Company manages cybersecurity and data protection through a continuously evolving program. Our cybersecurity risk management program is designed to provide a framework for assessing, identifying and managing cybersecurity threats and incidents, including threats and incidents associated with the use of services provided by third-party service providers, and to facilitate coordination across different departments of our Company. Our processes include steps for assessing the severity of a cybersecurity threat, identifying the source of a cybersecurity threat, including whether the cybersecurity threat is associated with a third-party service provider, and implementing cybersecurity countermeasures and mitigation strategies and informing management and the board of directors of material cybersecurity threats and incidents.

The Board of Directors has oversight for the most significant risks facing us and for our processes to identify, prioritize, assess, manage and mitigate those risks. The Audit Committee of the Board of Directors (the "Audit Committee") has been designated to oversee cybersecurity risks. The Audit Committee receives regular updates on cybersecurity and information technology matters and related risk exposures from our management. The Board of Directors also receives periodic updates from management and the Audit Committee on cybersecurity risks. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes designed to ensure that such potential cybersecurity risk exposures are monitored, putting in place mitigation measures and maintaining cybersecurity programs. Our cybersecurity programs are under the direction of our Chief Executive Officer. Management regularly updates the Audit Committee on our cybersecurity programs, which includes cybersecurity risks and mitigation strategies, vulnerability management, and on-going cybersecurity projects.

As of June 30, 2024, we did not identify any cybersecurity incidents that materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. It is possible that we may not implement appropriate controls if we do not detect a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate the risks. Even when a risk is detected, disruptive events may not always be immediately and thoroughly interpreted and acted upon.

ITEM 2. PROPERTIES.

We leased approximately 12,775 square feet of office space in San Diego, California, at a monthly rent of \$25,754, pursuant to a lease that expired in December 2023. On October 19, 2023, we signed a lease for office space consisting of approximately 11,400 square feet, located in San Diego, California, at a monthly rent of \$23,370, which commenced on January 1, 2024. In addition to monthly rent, the lease includes payment for certain common area costs. The term of the lease for the office space is 65 months from the lease commencement date. Our facility is covered by an appropriate level of insurance, and we believe it to be suitable for our use and adequate for our present needs. Rent expense related to this property was \$321,259 and \$309,053 for the years ended June 30, 2024 and 2023.

On or about December 7, 2023, we received an invoice from our prior landlord, Hunsaker & Associates, requesting payment of additional rent on our completed and expired lease of office space located at 9707 Waples Street, San Diego, CA as of December 31, 2023. This invoice of \$142,978 purports to represent charges for variable cost increases during the prior 7 years of the lease, which was discounted by \$46,274 and adjusted down to \$96,704 for the three months ended June 30, 2024. We are currently reviewing these charges and will be requesting further validation of these charges, in accordance with our rights granted under the lease. For the year ended June 30, 2024, we recorded an additional rent expense of \$96,704 and an accrued liability of \$72,048 reflecting this pending invoice and a credit of \$24,656 for our deposit on the leasehold property.

Our Korea-based subsidiary, FTI, leases approximately 10,000 square feet of office space, at a monthly rent of approximately \$8,000, and additional office space consisting of approximately 2,682 square feet at a monthly rent of approximately \$2,700, both located in Seoul, Korea. These leases expired on August 31, 2024, and were extended for an additional 24 months to August 31, 2026. In addition to monthly rent, the leases provide for periodic cost of living increases in the base rent and payment for certain common area costs. These facilities are covered by an appropriate level of insurance, and we believe them to be suitable for our use and adequate for our present needs. Rent expense related to these leases was approximately \$112,206 and \$128,400 for each of the years ended June 30, 2024 and 2023, respectively.

We lease one corporate housing facility, located in Seoul, Korea, primarily for our employees who travel, under a non-cancelable operating lease that expired on September 4, 2024, and was extended for an additional twelve months to September 4, 2025. Rent expense related to this lease was \$8,089 and \$8,095 for the years ended June 30, 2024 and 2023, respectively.

ITEM 3. LEGAL PROCEEDINGS.

Refer to NOTE 6 - COMMITMENTS AND CONTINGENCIES in the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET PRICE OF OUR COMMON STOCK

Shares of our Common Stock are quoted and traded on the Nasdaq National Market System under the trading symbol "FKWL". We have one class of common stock. As of June 30, 2024, we had 715 shareholders of record. Since many of the shares of our common stock are held by brokers and other institutions on behalf of shareholders, the total number of beneficial holders represented by these record holders is not practicably determinable.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes share and exercise price information about our equity compensation plans as of June 30, 2024:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	627,001	\$ 4.22	587,003
Equity compensation plans not approved by security holders	—	N/A	—
Total	647,001	\$ 4.22	587,003

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this report. This report contains certain forward-looking statements relating to future events or our future financial performance. These statements are subject to risks and uncertainties which could cause actual results to differ materially from those discussed in this report. You are cautioned not to place undue reliance on this information which speaks only as of the date of this report. We are not obligated to publicly update this information, whether as a result of new information, future events or otherwise, except to the extent we are required to do so in connection with our obligation to file reports with the SEC. For a discussion of the important risks to our business and future operating performance, see the discussion under the caption "Item 1A. Risk Factors" and under the caption "Factors That May Influence Future Results of Operations" below. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

BUSINESS OVERVIEW

Doing business as "FranklinAccess", we are a leading global provider of integrated wireless solutions utilizing the latest 5G (fifth generation) and 4G LTE (fourth generation long-term evolution) technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions. We are a leading enabler of the Digital Divide initiative, and our expertise extends to innovation in Internet of Things (IoT) and machine-to-machine (M2M) applications, driving forward seamless communication and connectivity for both individuals and enterprises.

We have majority ownership of Franklin Technology Inc. (FTI), a research and development company based in Seoul, South Korea. FTI primarily provides design and development services for our wireless products.

Our products are generally marketed and sold directly to wireless operators and indirectly through strategic partners and distributors. Our primary markets are in North America and Asia.

FACTORS THAT MAY INFLUENCE FUTURE RESULTS OF OPERATIONS

We believe that our revenue growth will be influenced largely by (1) the successful maintenance of our existing customers, (2) the rate of increase in demand for wireless data products, (3) customer acceptance of our new products, (4) new customer relationships and contracts, (5) our ability to meet customers' demands, (6) our ability to maintain good relationships with our manufacturing partners and suppliers, and (7) the defect rates experienced by end users of our hardware and software products.

We have entered into and expect to continue to enter into new customer relationships and contracts for the supply of our products, and this may require significant demands on our resources, resulting in increased operating, selling, and marketing expenses associated with such new customers.

We continuously evaluate the performance of our hardware and software products to discover defects that can adversely affect our revenue, income, and the price of our stock. If defects occur that customers believe are either severe in nature or excessively frequent in occurrence, customers could stop buying our products and services and the value of our stock may decrease.

We are also seeing that demand from end-users has been shifting in the post-pandemic economy as remote education and work from home trends are declining. Current demand for mobile device management (MDM) services has been declining. We are working to improve and further enhance our software service offerings to address this change in the market.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company accounts for its revenue according to ASC 606, "Revenue from Contracts with Customers", pursuant to which, revenue is recognized when the control of the promised goods or services is transferred to the customers, and the performance obligations under the contract have been satisfied, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services.

The Company determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from sales of products and services is derived from contracts with customers. The products and services covered by contracts primarily consist of hot spot routers. Contracts with each customer generally state the terms of the sale, including the description, quantity and price of each product or service. Payment terms are stated in the contract, primarily in the form of a purchase order. Since the customer typically agrees to a stated rate and price in the purchase order that does not vary over the life of the contract, the majority of our contracts do not contain variable consideration. We establish a provision for estimated warranty and returns. Using historical averages, that provisions for the years ended June 30, 2024, and 2023, were not material.

Disaggregation of Revenue

In accordance with Topic 606, we disaggregate revenue from contracts with customers into geographical regions and by the timing of when goods and services are transferred. We determined that disaggregating revenue into these categories meets the disclosure objective in Topic 606, which is to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by regional economic factors.

Contract Balances

We perform our obligations under a contract with a customer by transferring products in exchange for consideration from the customer. We typically invoice our customers as soon as control of an asset is transferred, and a receivable is established. However, we recognize contract liability when a customer prepays for goods and/or services, or when we have not delivered goods under the contract since we have not yet transferred control of the goods and/or services.

The balances of our trade receivables are as follows:

	June 30, 2024	June 30, 2023
Accounts Receivable, net	\$ 1,155,060	\$ 8,949,802

The balance of contract assets was immaterial as we did not have a significant amount of un-invoiced receivables in the periods ended June 30, 2024, and June 30, 2023.

Our contract liabilities and advance from customers are as follows:

	June 30, 2024	June 30, 2023
Undelivered products	\$ 158,771	\$ 146,488

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good and/or service to the customer and is the unit of measurement in Topic 606. At contract inception, we assess the products and/or services promised in our contracts with customers. We then identify performance obligations to transfer distinct products and/or services to the customer. To identify performance obligations, we consider all the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Our performance obligations are satisfied at a point in time. Revenue from products transferred to customers at a single point in time accounted for over 99% of net sales for the year ended June 30, 2024 and 2023. Revenue for non-recurring engineering projects is based on the percentage completion of a project and accounted for under 1% of net sales for the years ended June 30, 2024 and 2023. Most of our revenue that is recognized at a point in time is for the sale of hot-spot router products. Revenue from these contracts is recognized when the customer can direct the use of and obtain substantially all of the benefits from the product, which generally coincides with title transfer at completion of the shipping process.

As of June 30, 2024 and 2023, our contracts do not contain any unsatisfied performance obligations, except for undelivered products.

Capitalized Product Development Costs

Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other" includes software that is part of a product or process to be sold to a customer and shall be accounted for under Subtopic 985-20. Our products contain embedded software internally developed by FTI, which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding.

The costs of product development that are capitalized once technological feasibility is determined (noted as Technology in progress in the Intangible Assets table, in Note 2 to Notes to Consolidated Financial Statements) include certifications, licenses, payroll, employee benefits, and other headcount-related expenses associated with product development. We determine that technological feasibility for our products is reached after all high-risk development issues have been resolved. Once the products are available for general release to our customers, we cease capitalizing the product development costs and any additional costs, if any, are expensed. The capitalized product development costs are amortized on a product-by-product basis using the straight-line amortization. The amortization begins when the products are available for general release to our customers.

As of June 30, 2024, and June 30, 2023, capitalized product development costs in progress were \$0 and \$203,838, respectively, and these amounts are included in intangible assets in our consolidated balance sheets. For the years ended June 30, 2024 and 2023, we incurred \$123,359 and \$1,631,376, respectively in capitalized product development costs, and all costs incurred before technological feasibility is reached are expensed and included in our consolidated statements of comprehensive income (loss).

Income Taxes

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of June 30, 2024, we have federal and state net operating loss carryforwards of approximately \$5.8 million and \$0.5 million, respectively. As of June 30, 2023, we have federal and state net operating loss carryforwards of approximately \$2.5 million and \$0.5 million, respectively.

Under the Tax Cuts and Jobs Act (the "Act"), which was signed into law on December 22, 2017, the federal net operating loss of approximately \$2.5 million, which was recognized on or after January 1, 2018, will carry forward indefinitely. The state net operating loss of approximately \$0.5 million will begin to expire through 2043. The utilization of net operating loss carryforwards may be subject to limitations under provisions of the Internal

Under the provision of ASC 740 "Application of the Uncertain Tax Position Provisions" related to accounting for uncertain tax positions, which prescribes a recognition threshold and measurement process for recording in the financial statements, uncertain tax positions taken or expected to be taken in a tax return, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. Tax benefits of an uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained based on technical merits.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Refer to NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table sets forth, for the years ended June 30, 2024, 2023, and 2022, our statements of operations including data expressed as a percentage of sales:

	2024	2023	2022
	(as a percentage of sales)		
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	88.6%	84.7%	84.1%
Gross profit	11.4%	15.3%	15.9%
Operating expenses	30.7%	20.4%	36.6%
Loss from operations	(19.3%)	(5.1%)	(20.7%)
Other income (expense), net	2.7%	(3.2%)	1.1%
Net loss before income taxes	(16.6%)	(8.3%)	(19.6%)
Income tax benefit	(3.1%)	(1.9%)	(4.3%)
Net loss	(13.5%)	(6.4%)	(15.3%)
Less: non-controlling interest in net (loss) income of subsidiary	(0.6%)	(0.2%)	0.4%
Net loss attributable to Parent Company stockholders	(12.9%)	(6.2%)	(15.7%)

YEAR ENDED JUNE 30, 2024, COMPARED TO YEAR ENDED JUNE 30, 2023

NET SALES - Net sales decreased by \$15,151,826, or 33.0%, to \$30,796,690 for the year ended June 30, 2024 from \$45,948,516 for the corresponding period of 2023. For the year ended June 30, 2024, net sales by geographic regions, consisting of North America and Asia, were \$30,699,727 (99.7% of net sales) and \$96,963 (0.3% of net sales), respectively. For the year ended June 30, 2023, net sales by geographic regions, consisting of North America and Asia, were \$45,782,084 (99.6% of net sales) and \$166,432 (0.4% of net sales), respectively.

Net sales in North America decreased by \$15,082,357, or 32.9%, to \$30,699,727 for the year ended June 30, 2024, from \$45,782,084 for the corresponding period of 2023. The decrease in net sales in North America was primarily due to the reduced demand from two major carriers by approximately 50% and 26%, compared to the corresponding period of 2023. Net sales in Asia decreased by \$69,469, or 41.7%, to \$96,963 for the year ended June 30, 2024, from \$166,432 for the corresponding period of 2023. The decrease in net sales was primarily due to the reduced demand (approximately 61%) for a newly launched wireless product from a customer of FTI.

GROSS PROFIT - Gross profit decreased by \$3,512,392, or 50.0%, to \$3,508,350 for the year ended June 30, 2024, from \$7,020,742 for the corresponding period of 2023. The gross profit in terms of net sales percentage was 11.4% for the year ended June 30, 2024, compared to 15.3% for the corresponding period of 2023. The decrease in gross profit was primarily due to the change in net sales as described above. The decrease in gross profit in terms of net sales was the mixed results of competitive selling prices and the increase in production costs as well as the increased amortization expenses associated with the completed capitalized product development costs that are included in the cost of goods sold compared to the corresponding period of 2023.

OPERATING EXPENSES - Operating expenses increased by \$77,788, or 0.8%, to \$9,448,105 for the year ended June 30, 2024, from \$9,370,317 for the corresponding period of 2023.

Selling, general, and administrative expenses increased by \$589,702 to \$6,041,355 for the year ended June 30, 2024, from \$5,451,653 for the corresponding period of 2023. The increase in selling, general, and administrative expenses was primarily due to the increased legal expenses of approximately \$540,000. Research and development expenses decreased by \$511,914 to \$3,406,750 for the year ended June 30, 2024, from \$3,918,664 for the corresponding period of 2023. The decrease in research and development expense was primarily due to the decreased research and development costs and the related payroll expense of approximately \$250,000 and \$260,000, respectively, which is the mixed result of the timing of research and development activities and the number of active projects and typically vary from period to period.

OTHER INCOME (EXPENSE), NET - Other income (expense), net increased by \$2,305,527, or 155.6%, to \$823,784 for the year ended June 30, 2024, from (\$1,481,743) for the corresponding period of 2023. The increase was primarily due to the decreased loss from the agreement in principle to settle a legal action of \$2,400,000, the increased loss from unfavorable changes in foreign currency exchange rates in FTI of approximately \$360,000, which were offset by the increased interest income earned from the money market accounts and certificates of deposit of approximately \$344,000.

YEAR ENDED JUNE 30, 2023, COMPARED TO YEAR ENDED JUNE 30, 2022

NET SALES - Net sales increased by \$21,950,754, or 91.5%, to \$45,948,516 for the year ended June 30, 2023 from \$23,997,762 for the corresponding period of 2022. For the year ended June 30, 2023, net sales by geographic regions, consisting of North America, the Caribbean and South America, and Asia were \$45,782,084 (99.6% of net sales), \$0 (0.0% of net sales), and \$166,432 (0.4% of net sales), respectively. For the year

ended June 30, 2022, net sales by geographic regions, consisting of North America, the Caribbean and South America, and Asia were \$23,305,366 (97.1% of net sales), \$2,375 (0.0% of net sales), and \$690,021 (2.9% of net sales), respectively.

Net sales in North America increased by \$22,476,718, or 96.4%, to \$45,782,084 for the year ended June 30, 2023, from \$23,305,366 for the corresponding period of 2022. The increase in net sales in North America was primarily due to the new demand for two newly launched wireless products from a major carrier customer (approximately \$14M newly generated revenue) which did not purchase our products during the fiscal year 2022, and the increased demand by approximately \$11M, or 66%, for our wireless products from the existing major carrier customer compared to the fiscal year 2022, which were offset by the decreased demands from other customers.

Net sales in the Caribbean and South America decreased by \$2,375, or 100%, to \$0 for the year ended June 30, 2023, from \$2,375 for the corresponding period of 2022. Net sales in Asia decreased by \$523,589, or 75.9%, to \$166,432 for the year ended June 30, 2023, from \$690,021 for the corresponding period of 2022. The decrease in net sales was primarily due to the one-time revenue generated from the material sales by FTI for the fiscal year 2022, which was partially offset by the revenue generated from the demand for one newly launched wireless product by FTI (approximately \$160,000) for the year ended June 30, 2023.

GROSS PROFIT- Gross profit increased by \$3,204,159, or 84.0%, to \$7,020,742 for the year ended June 30, 2023, from \$3,816,583 for the corresponding period of 2022. The gross profit in terms of net sales percentage was 15.3% for the year ended June 30, 2023, compared to 15.9% for the corresponding period of 2022. The increase in gross profit was primarily due to the change in net sales as described above. The decrease in gross profit in terms of net sales percentage was the mixed results of competitive selling prices and the increase in production costs of the launched products.

OPERATING EXPENSES - Operating expenses increased by \$578,842, or 6.6%, to \$9,370,317 for the year ended June 30, 2023, from \$8,791,475 for the corresponding period of 2022.

Selling, general, and administrative expenses increased by \$942,309 to \$5,451,653 for the year ended June 30, 2023, from \$4,509,344 for the corresponding period of 2022. The increase in selling, general, and administrative expenses was primarily due to the increased payroll expenses (excluding payroll expense for employees involved in research and development) and compensation expenses related to stock options granted for employees of approximately \$230,000 and \$165,000, respectively, and the increased legal expenses of \$195,000.

Research and development expenses decreased by \$363,467 to \$3,918,664 for the year ended June 30, 2023, from \$4,282,131 for the corresponding period of 2022. The decrease in research and development expense was primarily due to the mix of the timing of research and development activities and the number of active projects, which typically vary from period to period. For the year ended June 30, 2023, the research and development expenses decreased by approximately \$450,000, which is partially offset by the increased payroll expenses for employees involved in research and development of approximately \$89,000.

OTHER INCOME, NET - Other income, net decreased by \$1,747,162, or 658.3%, to \$1,481,743 for the year ended June 30, 2023, from \$265,419 for the corresponding period of 2022. The decrease was primarily due to the loss from the agreement in principle to settle a legal action of \$2,400,000 and the increased loss from unfavorable changes in foreign currency exchange rates in FTI of approximately \$184,000, which were offset by the increased interest income earned from the money market accounts and certificates of deposit of approximately \$388,000, the increased unrealized gain from an investment account of approximately \$340,000, and the increased gain from forgiven liabilities of approximately \$199,000.

LIQUIDITY AND CAPITAL RESOURCES

Our historical operating results, capital resources and financial position, in combination with current projections and estimates, were considered in management's plan and intentions to fund our operations over a reasonable period of time, which we define as the twelve-month period ending June 30, 2024. For the purposes of liquidity disclosures, we assess the likelihood that we have sufficient available working capital and other principal sources of liquidity to fund our operating activities and obligations as they become due.

Our principal source of liquidity as of June 30, 2024, consisted of cash and cash equivalents as well as short-term investments of \$37,457,827. We believe we have sufficient available capital to cover our existing operations and obligations through at least June 30, 2025. Our long-term future cash requirements will depend on numerous factors, including our revenue base, profit margins, product development activities, market acceptance of our products, future expansion plans and ability to control costs. If we are unable to achieve our current business plan or secure additional funding that may be required, we would need to curtail our operations or take other similar actions outside the ordinary course of business.

OPERATING ACTIVITIES – Net cash used in operating activities for the years ended June 30, 2024 and 2023 were \$773,360 and \$1,882,114, respectively.

The \$773,360 in net cash used in operating activities for the year ended June 30, 2024 was primarily due to the decrease in accounts payable and accrued legal contingency expense of \$5,685,087 and \$2,400,000, respectively, as well as our operating results (net loss adjusted for depreciation, amortization, and other non-cash charges), which was offset by the decrease of accounts receivable and inventories of \$7,722,229 and \$2,290,211, respectively. The \$1,882,114 in net cash used in operating activities for the year ended June 30, 2023 was primarily due to the increase in accounts receivable of \$7,627,183 as well as our operating results (net loss adjusted for depreciation, amortization, and other non-cash charges), which was offset by the increase of accounts payable and accrued legal contingency expense of \$4,905,499 and \$2,400,000, respectively.

INVESTING ACTIVITIES – Net cash provided by investing activities for the year ended June 30, 2024 was \$723,858, and net cash used in investing activities for the year ended June 30, 2023 was \$12,109,183.

The \$723,858 in net cash provided by investing activities for the year ended June 30, 2024 was primarily due to the proceeds of short-term investments of \$910,034, which was offset by the purchases of capitalized product development of \$123,359. The \$12,109,183 in net cash used in investing activities for the year ended June 30, 2023 was primarily due to the purchases of short-term investments of \$10,391,654 and capitalized product development of \$1,631,376.

FINANCING ACTIVITIES – Net cash provided by financing activities for the years ended June 30, 2024 and 2023 was \$91,057 and \$42,943, respectively.

The \$91,057 in net cash provided by financing activities for the year ended June 30, 2024 was repayment received from the loan to an employee of \$91,057. The \$42,943 in net cash provided by financing activities for the year ended June 30, 2023 was from the exercise of stock options of \$45,000, which was offset by loan to an employee of \$2,057.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following table summarizes our contractual obligations and commitments as of June 30, 2024, and the effect such obligations could have on our liquidity and cash flow in future periods:

	Operating Lease
Fiscal 2025	\$ 336,972
Fiscal 2026	344,789
Fiscal 2027	352,840
Fiscal 2028	387,437
Fiscal 2029	363,310
Total lease payments	1,785,348
Less imputed interest	(287,629)
Total	\$ 1,497,719
Remaining lease term-operating leases	4.9 years
Discount rate-operating lease	7%

LEASES

Refer to ITEM 2. PROPERTIES.

WARRANTY REPAIRS

The following table sets forth the percentages of return rates and warranty repairs for all products currently marketed, in the aggregate from the date each product was introduced through June 30, 2024.

Current Devices		
Device Type	Return Rate	Warranty Repairs
4G Wireless Devices	0.11%	0.01%
5G Wireless Devices	0.57%	0.10%

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

For the next twelve months, we may require in excess of \$2 million for capital expenditures, software licenses and for testing and certifying new products.

We believe we will be able to fund our future cash requirements for operations from our cash available, operating cash flows, bank lines of credit and issuance of equity securities. We believe these sources of funds will be sufficient to continue our operations and planned capital expenditures. However, we will be required to raise additional debt or equity capital if we are unable to generate sufficient cash flow from operations to fund the expansion of our sales and to satisfy the related working capital requirements for the next twelve months. Our ability to satisfy such obligations also depends upon our future performance, which in turn is subject to general economic conditions and regional risks, and to financial, business and other factors affecting our operations, including factors beyond our control. See Item 1A, "[Risk Factors](#)" included in this report.

If we are unable to generate sufficient cash flow from operations to meet our obligations and commitments, we will be required to raise additional debt or equity capital. Additionally, we may be required to sell material assets or operations or delay or forego expansion opportunities. We might not be able to effect these alternative strategies to raise funds including credit lines and loans, on satisfactory terms, if at all.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and the supplementary financial information required by this Item and included in this report are listed in the Index to Financial Statements beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management has evaluated, under the supervision and with the participation of OC Kim, our President, and Bill Bauer, our Acting Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our President and the Acting Chief Financial Officer have concluded that, as of June 30, 2024, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time

periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to our management, including our principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act or in other factors that materially affected or are reasonably likely to materially affect our internal controls and procedures over financial reporting during the fourth quarter of the fiscal year ended June 30, 2024.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

To evaluate the effectiveness of internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management conducted an assessment, using the criteria in *Internal Control-Integrated Framework*, (specifically the 2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of June 30, 2024.

ITEM 9B. OTHER INFORMATION.

During the quarter ended June 30, 2024, no director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Set forth below are the names, ages, titles and present and past positions of our directors and executive officers as of June 30, 2024.

Name	Age	Position
OC Kim	59	President, Secretary and a Director
Gary Nelson	84	Chairman of the Board and a Director
Johnathan Chee	61	Director
Heidy Chow	46	Director
Kristina Kim	61	Director
Yun J. (David) Lee	63	Chief Operating Officer
Bill Bauer	55	Acting Chief Financial Officer (Principal Financial Officer)

OC Kim has been our President, Secretary and a director since September 2003. He also served as our Acting Chief Financial Officer from April 2018 until March 2021. Prior to joining Franklin Wireless, Mr. Kim was the CEO and President of Accetio Inc., a company he founded in April 2001 that developed cell phones and modules for the telecommunications industry. In September 2003, Accetio Inc. merged with Franklin Telecommunications Corp. and was renamed Franklin Wireless Corp. Prior to this, Mr. Kim was the Chief Operating Officer of Axesstel Inc., a pioneering developer of CDMA Wireless Local Loop Products. Before joining Axesstel, he was the president of the U.S. sales office for Kolon Data Communications Co., Ltd., one of Korea's most prominent technology conglomerates. While at Kolon Data Communications, Mr. Kim helped introduce the first generation of CDMA phones to the Korean market through his work with Qualcomm Personal Electronics (QPE), a joint venture between Qualcomm Incorporated and Sony Electronics Inc. Mr. Kim began his career at Lucky Goldstar (LG) Electronics. He has more than 29 years of experience in sales, marketing, and operations management in the telecommunications and information systems industries. He earned a B.A. from Sogang University in Korea. We believe Mr. Kim's qualifications to serve as a director of the Company include his extensive business, operational and management experience in the wireless industry, including his current position as the Company's President. In addition, his knowledge of the Company's business, products, strategic relationships and future opportunities is of great value to the Company.

Gary Nelson has been a director since September 2003. Mr. Nelson was an early investor in Franklin Telecommunications Corp. in the 1980's and served as a director from 2001 up until the Company's merger with Accetio Inc. in September 2003, at which time the Company was renamed Franklin Wireless Corp. Following the merger, Mr. Nelson became a director and ultimately Chairman of the Board of Franklin Wireless Corp. He was co-founder and President of Churchill Mortgage Corporation, an income property mortgage banking firm based in Los Angeles, California, which was a loan correspondent for major life insurance companies and other financial institutions. In addition, Mr. Nelson was the Chief Operating Officer of Churchill Mortgage Capital, which was the loan origination arm of Churchill Mortgage Corporation. Mr. Nelson's prior experience includes various marketing positions with Control Data Corporation and design engineering positions with North American Aviation where he worked on the Apollo Project. He holds a B.S. in Mechanical Engineering from Kansas State University and an MBA from the University of Southern California. We believe that Mr. Nelson's qualifications to serve as a director of the Company include his many years of business, operational and management experience including his previous position as President of Churchill Mortgage Corporation. In addition, Mr. Nelson has served as a director of the Company for 14 years, and brings a valuable historical perspective on the development of the Company's business and its leadership.

Johnathan Chee has been a director since September 2009. He is an attorney and has owned the Law Offices of Johnathan Chee, in Niles, Illinois, since August 2007. Mr. Chee has represented clients in various business dealings and negotiations with Ameritech, SBC, Sprint and several wireless carriers in Latin America. Between 1998 and 2007, he served as an attorney with the C&S Law Group, P.C., in Glenview, Illinois. He holds a B.A. from the University of Illinois-Chicago and a J.D. from IIT Chicago-Kent College of Law. He is a member of the Illinois Bar Association. We believe Mr. Chee's qualifications to serve as a director of the Company include his experience as a business attorney that allow him to provide the Company's Board of Directors with valuable knowledge of legal matters that may affect the Company.

Heidy Chow is a Certified Public Accountant and an experienced finance and accounting executive whose client base includes several IT companies. Ms. Chow is an Assurance Partner of The Pun Group, LLP and has over fifteen (15) years of combined experience in auditing, consulting and finance. Ms. Chow's career in public accounting was spent primarily with the National firms of RSM US and Ernst & Young, and regional firms where she has specialized in corporate accounting and auditing services. She supervises engagement teams in areas of designing and planning audits in accordance with the AICPA Generally Accepted Auditing Standards and Public Company Accounting Oversight Board (PCAOB) standards. In addition, she often serves as Contract Chief Financial Officer for privately held small and middle market companies. She holds a B.S. in Accounting from California State Polytechnic University, Pomona.

Kristina Kim is a licensed attorney with extensive knowledge of global import/export, international trade, and regulatory issues. Ms. Kim also served as General Counsel and Vice President with Samsung International Inc. for over 14 years. Ms. Kim holds a B.A. in Biochemistry and Molecular Biology from the University of California at Santa Barbara, and a Juris Doctorate from the University of San Diego.

Yun J. (David) Lee has served as our Chief Operating Officer since September 2008. Mr. Lee has 23 years of upper level management experience in telecommunications, including experience in the cellular telephone business in the U.S. and South America. Prior to joining the Company, he was President of Ace Electronics, and served as Chief Financial Officer and Director of Sales and Marketing for RMG Wireless. Prior to that, he served as Controller and Director of International Sales for Focus Wireless in Chicago.

Bill Bauer has served as our Acting Chief Financial Officer since October 2022. Prior to joining Franklin, he served as in-house legal counsel and senior finance executive across various industries in California and Texas. He has over 15 years of experience in Finance and executive management. He holds a Master's degree in Business Administration from San Diego State University and a Juris Doctorate from California Western School of Law and is also a member of both the California and Texas State Bars.

CODE OF ETHICS

The Board of Directors has adopted a Code of Ethics, which is applicable to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics covers all areas of professional conduct, including honest and ethical conduct, conflicts of interest, compliance with laws, disclosure obligation, and accountability for adherence to this Code.

CORPORATE GOVERNANCE

During fiscal 2024, the Board of Directors held four meetings. Each director attended 100% of the meetings of the Board. The Board of Directors has an Audit Committee made up of Heidy Chow (committee chair), Gary Nelson, and Kristina Kim, and a Compensation Committee made up of Gary Nelson (committee chair) and Johnathan Chee, and a Nominating Committee made up of Gary Nelson (committee chair) and Johnathan Chee. The Board of Directors has no other committees.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth all compensation paid or accrued by us for the years ended June 30, 2024 and 2023 to our President, Chief Operating Officer, and Acting Chief Financial Officer (The "Named Executive Officers").

The Board of Directors has adopted a Policy on Recoupment of Executive Incentive Compensation, effective as of October 13, 2023, pursuant to the requirements of Nasdaq Listing Rule 5608 and Securities Exchange Act Rule 10D-1. The Policy sets forth the circumstances under which the Company will recover certain incentive compensation paid to the Executive Officers of the Company in connection with certain financial restatements. Each Executive Officer shall be required to sign and return a form pursuant to which such Executive Officer will agree to be bound by the terms of this Policy (see "Exhibit 97").

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	Total (\$)
OC Kim, President	2023	\$ 300,000	\$ 375,000	\$ —	\$ 675,000
	2024	\$ 300,000	\$ 500,000	\$ —	\$ 800,000 (1)
Yun J. (David) Lee (2), Senior Vice President of Sales	2023	\$ 300,000	\$ —	\$ —	\$ 300,000
	2024	\$ 300,000	\$ 120,000	\$ —	\$ 420,000
David Brown (3), Acting Chief Financial Officer	2023	\$ 25,649	\$ —	\$ —	\$ 25,649
	2024	\$ —	\$ —	\$ —	\$ —
Bill Bauer, Acting Chief Financial Officer	2023	\$ 106,298	\$ 1,500	\$ —	\$ 107,798
	2024	\$ 145,000	\$ 75,000	\$ —	\$ 220,000

- (1) On September 23, 2024, the Board acknowledged that Mr. Kim had earned an incentive bonus of \$1,250,000 for negotiating and securing a joint venture agreement with MeiG Smart Technology Co., Ltd. However, the Company and Mr. Kim entered into a Forbearance Agreement, dated September 23, 2024, under which Mr. Kim agreed to defer payment of the bonus, in exchange for the Company's agreement to allow Mr. Kim to defer payment of the \$1,000,000 settlement amount owed by Mr. Kim to the Company under a Settlement Agreement, dated June 12, 2024. The forbearance is to allow Mr. Kim time to pursue remedies with the State of Nevada (See "Business—Shareholder Litigation—Short Swing Profits Litigation").
- (2) On July 14, 2023, the Board of Directors appointed David Lee as Senior Vice President of Sales. Mr. Lee had previously served as Chief Operating Officer. The change in title does not affect Mr. Lee's compensation.
- (3) David Brown resigned his position on September 30, 2022.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the Named Executive Officer as of June 30, 2024. The options vest over periods of three years and are subject to early termination on the occurrence of certain events related to termination of employment. In addition, the full vesting of options is accelerated if there is a change in control of the Company.

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Outstanding Equity Awards at Fiscal Year-End

Options Awards

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#) nonexercisable	Option Exercise Price (\$)	Option Expiration Date
OC Kim	200,000 (1)	33,029	\$ 3.38	12/27/2026
Yun J. (David) Lee	100,000 (1)	—	\$ 5.40	07/13/2025
	15,000 (1)	2,477	\$ 3.38	12/27/2026
Bill Bauer	20,000 (1)	—	\$ 5.40	07/13/2025
	15,000 (1)	2,477	\$ 3.38	12/27/2026

- (1) The option vests and is exercisable over three years as follows and has a five-year term:
 - i. 33.3% of the shares underlying the option vest on the first anniversary of the date of the grant.
 - ii. 33.3% of the shares underlying the option vest on the second anniversary of the date of the grant.
 - ii. 33.3% of the shares underlying the option vest on the third anniversary of the date of the grant.

Director Compensation

Our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors. Employee directors do not receive any cash compensation for service as directors and do not receive any equity compensation designated for such services. Members of the Board of Directors who are not employees may receive stock option grants as consideration for their board service from time to time, although there is no established policy for such stock option grants.

Fiscal 2024 Director Compensation

Name	Fee Earned or Paid in Cash (\$)(1)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
Gary Nelson	20,000	—	—	20,000
Johnathan Chee	20,000	—	—	20,000
Heidy Chow	20,000	—	—	20,000
Kristina Kim	20,000	—	—	20,000

- (1) Directors are compensated at a base rate of \$20,000 annually for the year ended June 30, 2024. Bonuses may be awarded when the business has performed exceptionally well as determined by the Board of Directors. For the year ended June 30, 2024, there has been no approved bonus for the Directors.

There was no outstanding equity awards held by any of the non-officer directors as of June 30, 2024.

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EMPLOYMENT CONTRACTS

On October 1, 2020, we entered into Change of Control Agreements with OC Kim, our President, and Yun J. (David) Lee, our Senior Vice President of Sales and previously served as Chief Operating Officer. Each Change of Control Agreement provides for a lump sum payment to the officer in case of a change of control of the Company. The term includes the acquisition of Common Stock of the Company resulting in one person or company owning more than 50% of the outstanding shares, a significant change in the composition of the Board of Directors of the Company during any 12-month period, a reorganization, merger, consolidation or similar transaction resulting in the transfer of ownership of more than fifty percent (50%) of the Company's outstanding Common Stock, or a liquidation or dissolution of the Company or sale of substantially all of the Company's assets.

The Change of Control Agreement with Mr. Kim calls for a payment of \$5 million upon a change of control, and the agreement with Mr. Lee calls for a payment of \$2 million upon a change of control. These agreements were for an initial term of three years but have now been extended through

On November 10, 2022, the Company and OC Kim, its President, entered into an amendment of the employment letter agreement dated September 7, 2021. The amendment provides for a severance payment of \$3 million if Mr. Kim voluntarily terminates his employment by the Company or if he voluntarily terminates his employment due to a "change in circumstances," generally defined as a material breach by the Company of its salary and benefit obligations or a significant reduction in Mr. Kim's title or responsibilities. In the case of a termination of employment by the Company for cause (generally defined as conviction of a felony, or a misdemeanor where imprisonment is imposed, commission of any act of theft, fraud, dishonesty, or material falsification of any employment or Company records, or improper disclosure of the Company's confidential or proprietary information), the Company is to make a severance payment of \$1,500,000. In either case, any unvested options become immediately vested.

In the amendment, Mr. Kim also agrees that, for a period of two years after termination, he will not disparage the Company or its officers, solicit any of its employees to terminate their employment, or disclose any of the Company's proprietary information. In addition, the amendment provides for the payment of an incentive bonus to Mr. Kim of \$125,000 for each calendar quarter during the remaining four-year term of the employment letter, with the first such bonus due on December 31, 2022. For the year ended June 30, 2024 and 2023, \$500,000 and \$375,000 bonus had been accrued, respectively, with \$875,000 and \$375,000 accrual bonus balances as of June 30, 2024 and 2023, respectively.

The employment agreement with OC Kim was renewed and extended by the Board in September 2024 and will continue through October 2027.

COMPENSATION DISCUSSION AND ANALYSIS

GENERAL PHILOSOPHY— We compensate our executive officers through a mix of base salary, incentive compensation and stock options. Our compensation policies are designed to be competitive with comparable employers and to align management's incentives with both near-term and long-term interests of our stockholders. We use informal methods of benchmarking our executive compensation, based on the experience of our directors or, in some cases, studies of industry standards. Our compensation is negotiated on a case by case basis, with attention being given to the amount of compensation necessary to make a competitive offer and the relative compensation among our executive officers.

BASE SALARIES — We want to provide our senior management with a level of cash compensation in the form of base salary that facilitates an appropriate lifestyle given their professional status and accomplishments.

INCENTIVE COMPENSATION — Our practice is to award cash bonuses based upon performance objectives set by the Board of Directors. We maintain a bonus plan which provides our executive officers with the opportunity to earn cash bonuses based on the achievement of performance targets. The performance targets are set by the Board of Directors, and our executive officers are eligible to receive bonuses on a quarterly basis. The actual amount of incentive compensation paid to our executive officers is in the sole discretion of the Board of Directors.

SEVERANCE BENEFITS — We are generally an "at-will" employer and have no employment agreements with severance benefits; however, we have entered into Change of Control Agreements with OC Kim & David Lee, and a severance agreement with OC Kim that provides him with a lump sum payment in the event he leaves the Company.

RETIREMENT PLANS — In January 2022, we implemented the CalSavers retirement program, an automatic enrollment individual retirement account (IRA). The program is a voluntary participation program, and all employees have the option to participate in this program if they choose to do so.

MANDATORY RECOUPMENT POLICY — The Company maintains a Mandatory Recoupment Policy to enable the Company to recover erroneously awarded compensation in the event that the Company is required to prepare an accounting restatement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of September 30, 2024, by each director and executive officer of the Company, each person known to us to be the beneficial owner of more than 5% of the outstanding Common Stock, and all directors and executive officers of the Company as a group. Except as otherwise indicated below, each person has sole voting and investment power with respect to the shares owned, subject to applicable community property laws.

Name and Address	Shares Beneficially Owned	
	Number	Percent
Joon Won Jyoung 9707 Waples Street, Suite 150, San Diego, CA 92121	1,004,948	8.5%
OC Kim 9707 Waples Street, Suite 150, San Diego, CA 92121	1,096,695	9.3%
Gary Nelson 9707 Waples Street, Suite 150, San Diego, CA 92121	314,008	2.7%
Yun J. (David) Lee 9707 Waples Street, Suite 150, San Diego, CA 92121	185,000	1.6%
Johnathan Chee 9707 Waples Street, Suite 150, San Diego, CA 92121	13,500	0.1%
Paul Packer 805 Third Ave., 15 th Floor, New York, NY 10022	1,052,170 (1)	8.9%
All directors and executive officers as a group	3,666,321	31.1%

(1) Based solely on a Schedule 13G dated December 31, 2023, which indicates that Mr. Packer may be deemed to beneficially own 1,052,170 shares. With respect to these shares, Mr. Packer has shared voting power and shared dispositive power with Globis Capital Partners, L.P., Globis Capital Advisors, L.L.C., Globis Overseas Fund, Ltd., Globis Capital Management, L.P. and Globis Capital, L.L.C.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The aggregate fees billed for the most recently completed fiscal period for the audit of our annual financial statements and services normally provided by the independent registered public accounting firm for this fiscal period were as follows:

	FY 2024	FY 2023
Audit Fees	\$ 126,350	\$ 84,250
Total Fees	\$ 126,350	\$ 84,250

In the above table, "audit fees" are fees billed by our external auditor for services provided in auditing our company's annual financial statements for the subject year. The fees set forth on the foregoing table relate to the audit as of and for the years ended June 30, 2024, and 2023, which was performed by Simon & Edward, LLP and Kreit and Chiu CPA LLP (formerly as "Paris, Kreit, and Chiu CPA LLP"), respectively. All of the services described above were approved in advance by the Board of Directors or the Company's Audit Committee.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

- (a) Index to financial statements
- (b) Exhibits

The following Exhibits are files as part of, or incorporated by reference into, this Report on Form 10-K:

Exhibit No.	Description
2.1	Articles of Merger and Agreement and Plan of Reorganization, filed January 2, 2008 with the Nevada Secretary of State (1)
3.1	Articles of Incorporation of Franklin Wireless Corp. (1)
3.2	Amended and Restated Bylaws of Franklin Wireless Corp. (3)
4.1	Description of Securities (6)
10.1	Employment Agreement, dated September 7, 2021, between Franklin Wireless Corp. and OC Kim
10.2	Amendment No. 1 to Employment Agreement, dated November 10, 2022, between Franklin Wireless Corp. and OC KIM (8)
10.3	Change of Control Agreement, dated October 1, 2021, between Franklin Wireless Corp. and OC Kim (4)
10.4	Change of Control Agreement, dated October 1, 2021, between Franklin Wireless Corp. and Yun J. ("David") Lee (4)
10.5	Lease, dated September 9, 2015, between the Company and Hunsaker & Associates San Diego, Inc., a California corporation (5)
10.6	Loan Agreement between Franklin Technology Incorporation and Franklin Wireless Corp., dated March 31, 2022 (7)
10.7	Amendment No. 1 to Change of Control Agreement, dated September 25, 2023, between Franklin Wireless Corp. and OC Kim (9)
10.8	Amendment No. 1 to Change of Control Agreement, dated September 25, 2023, between Franklin Wireless Corp. and Yun J. ("David") Lee (9)
10.9	"Short-Swing" Profits Litigation" Settlement Agreement, dated June 12, 2024, Nosirrah Management LLC v. OC Kim, Franklin Wireless
10.10	Amendment No. 2 to Change of Control Agreement, dated September 11, 2024, between Franklin Wireless Corp. and OC Kim
10.11	Amendment No. 2 to Change of Control Agreement, dated September 11, 2024, between Franklin Wireless Corp. and Yun J. ("David") Lee
10.12	Amendment No. 2 to Employment Agreement, dated September 11, 2024, between Franklin Wireless Corp. and OC Kim
10.13	Forbearance Agreement, dated September 23, 2024, between Franklin Wireless Corp. and OC Kim
14.1	Code of Ethics (2)
23.1	Consent of Kreit and Chiu CPA LLP
23.2	Consent of Simon & Edward LLP
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Mandatory Recoupment Policy
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document

101.DEF XBRL Definition Linkbase Document
101.LAB XBRL Label Linkbase Document
101.PRE XBRL Presentation Linkbase Document

- (1) Incorporated by reference from Report on Form 10-QSB for the quarterly period ended March 31, 2008, filed on May 14, 2008.
(2) Incorporated by reference from Annual Report on Form 10-K for the year ended June 30, 2008, filed on September 26, 2008.
(3) Incorporated by reference from Annual Report on Form 10-K for the year ended June 30, 2009, filed on October 13, 2009.
(4) Incorporated by reference from Report on Form 8-K dated October 1, 2021.
(5) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed on November 16, 2015.
(6) Incorporated by reference from Report on Form 10-K/A for the year ended June 30, 2020, filed on September 18, 2020.
(7) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, filed on May 10, 2022.
(8) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, filed on February 14, 2023.
(9) Incorporated by reference from Annual Report on Form 10-K for the year ended June 30, 2023, filed on September 28, 2023.

(c) Supplementary Information

None.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

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SIGNATURES

In accordance with Section 13 of 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Franklin Wireless Corp.

By: /s/ OC Kim

OC Kim, President

Dated: September 30, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
Principal Executive Officer		
<u>/s/ OC KIM</u> OC Kim	President and a Director	September 30, 2024
Principal Financial Officer		
<u>/s/ BILL BAUER</u> Bill Bauer	Acting Chief Financial Officer	September 30, 2024
<u>/s/ GARY NELSON</u> Gary Nelson	Chairman of the Board of Directors	September 30, 2024
<u>/s/ JOHNATHAN CHEE</u> Johnathan Chee	Director	September 30, 2024
<u>/s/ HEIDY CHOW</u> Heidy Chow	Director	September 30, 2024
<u>/s/ KRISTINA KIM</u> Kristina Kim	Director	September 30, 2024

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**FRANKLIN WIRELESS CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Franklin Wireless Corp.

San Diego, CA

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Franklin Wireless Corp. and its subsidiary (the "Company") as of June 30, 2024, the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2024, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Legal Proceedings

As described in Note 6, the Company has been involved in multiple legal proceedings and claims arising in the ordinary course of business, including shareholder litigation and short-swing profit litigation. Management records liabilities for legal proceedings in instances where it can reasonably estimate the amount of the loss and when loss is probable.

We identified the legal proceedings as a critical audit matter because auditing these elements involved a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's assessment of the liabilities and disclosures associated with multiple legal proceedings.

The primary procedures we performed to address this critical audit matter included:

- Reviewed all ongoing legal claims and supporting documents, including assessing the status of each case, the likely outcome, and potential financial exposure.
- Obtained the legal confirmations per our audit inquiries with external legal counsels, evaluating the reasonableness of management's assessment regarding whether an unfavorable outcome is remote, reasonably possible or probable and reasonably estimable.
- Reviewed the Company's recorded provisions for legal contingencies to determine if they accurately reflect potential liabilities.
- Ensured that the Company's disclosures related to legal proceedings in the consolidated financial statements comply with applicable accounting and disclosure standards.

/s/Simon & Edward, LLP
We have served as the Company's auditor since 2024.
Rowland Heights, CA

September 30, 2024

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Franklin Wireless Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Franklin Wireless Corp. and its subsidiary (the "Company") as of June 30, 2023, and 2022, and the related consolidated statements of comprehensive (loss) income, changes in stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2023, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023, and 2022 and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Description of the Matter

Legal Proceedings

As described in Note 6 to the consolidated financial statements, management records liabilities for legal proceedings in those instances where it can reasonably estimate the amount of the loss and when loss is probable. Where the reasonable estimate of the probable loss is a range, management records as an accrual in its consolidated financial statements the most likely estimate of the loss, or the low end of the range if there is no one best estimate. Management either discloses the amount of a possible loss or range of loss in excess of established accruals if estimable, or states that such an estimate cannot be made. Management discloses significant legal proceedings even where liability is not probable or the amount of the liability is not estimable, or both, if management believes there is at least a reasonable possibility that a loss may be incurred.

How We Addressed the Matter in Our Audit The principal considerations for our determination that performing procedures relating to legal proceedings is a critical audit matter are the significant judgment by management when assessing the likelihood of a loss being incurred and when estimating the loss or range of loss for each claim, which in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management's assessment of the liabilities and disclosures associated with legal proceedings.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included determining the likelihood of a loss and whether the amount of loss can be reasonably estimated, as well as evaluating disclosures citing the compliance with the financial reporting framework. These procedures also included, among others, obtaining and evaluating the letters of audit inquiry with internal and external legal counsel, evaluating the reasonableness of management's assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable, and evaluating the sufficiency of the Company's disclosures related to legal proceedings and accounting in the consolidated financial statements.

We have served as the Company's auditors since 2020.

/s/ Kreit and Chiu CPA LLP (formerly as " Paris, Kreit and Chiu CPA LLP ").

New York, NY
September 28, 2023

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**FRANKLIN WIRELESS CORP.
Consolidated Balance Sheets**

	As of June 30,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,266,556	\$ 12,241,286
Short-term investments	25,191,271	26,728,313
Accounts receivable, net	1,155,060	8,949,802
Inventories, net	1,425,685	3,741,637
Other current assets	107,976	51,125
Loan to an employee	—	91,057
Advance payments to vendors	73,912	53,875
Total current assets	40,220,460	51,857,095
Property and equipment, net	114,939	101,088
Intangible assets, net	1,309,626	2,180,884
Deferred tax assets, non-current	3,184,240	2,235,515
Goodwill	273,285	273,285
Right of use assets, net	1,486,034	152,665
Other assets	131,245	126,546
TOTAL ASSETS	\$ 46,719,829	\$ 56,927,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,262,195	\$ 12,950,497
Contract liabilities and advance from customers	158,771	146,488
Accrued legal contingency expense	—	2,400,000
Accrued liabilities	1,425,146	856,161
Lease liabilities, current	239,727	159,104
Total current liabilities	9,085,839	16,512,250
Lease liabilities, non-current	1,257,992	—
Total liabilities	10,343,831	16,512,250
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Parent Company stockholders' equity		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares; none issued and outstanding	—	—
Common stock, par value \$0.001 per share, authorized 50,000,000 shares; 11,784,280 shares issued and outstanding	14,263	14,263
Additional paid-in capital	14,733,300	14,438,196
Retained earnings	25,137,209	29,101,225
Treasury stock, 2,549,208 shares	(3,554,893)	(3,554,893)
Accumulated other comprehensive loss	(1,182,825)	(1,071,930)
Total Parent Company stockholders' equity	35,147,054	38,926,861
Non-controlling interests	1,228,944	1,487,967
Total stockholders' equity	36,375,998	40,414,828
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 46,719,829	\$ 56,927,078

The accompanying notes are an integral part of these audited consolidated financial statements.

FRANKLIN WIRELESS CORP.
Consolidated Statements of Comprehensive Loss

	Fiscal Years Ended June 30,	
	2024	2023
Net sales	\$ 30,796,690	\$ 45,948,516
Cost of goods sold	(27,288,340)	(38,927,774)
Gross profit	<u>3,508,350</u>	<u>7,020,742</u>
Operating expenses:		
Selling, general and administrative	6,041,355	5,451,653
Research and development	3,406,750	3,918,664
Total operating expenses	<u>9,448,105</u>	<u>9,370,317</u>
Loss from operations	<u>(5,939,755)</u>	<u>(2,349,575)</u>
Other income (expense), net:		
Interest income	804,148	459,869
Income from governmental subsidy	16,350	43,784
Gain from the forgiveness of accounts payable and accrued liabilities	—	238,307
Loss from the disposal of property and equipment and intangible assets	(10,436)	—
Loss from a legal contingency	—	(2,400,000)
Loss from foreign currency transactions	(486,497)	(126,042)
Other income, net	500,219	302,339
Total other income (expense), net	<u>823,784</u>	<u>(1,481,743)</u>
Loss before benefit for income taxes	(5,115,971)	(3,831,318)
Income tax benefit	<u>(949,300)</u>	<u>(886,659)</u>
Net loss	<u>(4,166,671)</u>	<u>(2,944,659)</u>
Less: non-controlling interests in net loss of subsidiary at 33.7%	(202,655)	(81,638)
Net loss attributable to Parent Company	<u>\$ (3,964,016)</u>	<u>\$ (2,863,021)</u>
Loss per share attributable to Parent Company stockholders – basic and diluted	\$ (0.34)	\$ (0.24)
Weighted average common shares outstanding – basic and diluted	11,784,280	11,736,609
Comprehensive loss		
Net loss	\$ (4,166,671)	\$ (2,944,659)
Translation adjustments	(167,263)	(87,778)
Comprehensive loss	<u>(4,333,934)</u>	<u>(3,032,437)</u>
Less: comprehensive loss attributable to non-controlling interest	(202,655)	(81,638)
Less: Foreign exchange translation attributable to non-controlling interest	(56,368)	—
Comprehensive loss attributable to controlling interest	<u>\$ (4,074,911)</u>	<u>\$ (2,950,799)</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

FRANKLIN WIRELESS CORP.
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total Stockholders Equity
	Shares	Amount						
Balance - June 30, 2022	11,684,280	\$ 14,163	\$ 13,593,426	\$ 31,964,246	\$ (3,554,893)	\$ (984,152)	\$ 1,569,605	\$ 42,602,395
Net loss attributable to Parent Company	—	—	—	(2,863,021)	—	—	—	(2,863,021)
Foreign exchange translation attributable to Parent Company	—	—	—	—	—	(87,778)	—	(87,778)
Issuance of stock related to stock option exercised	100,000	100	133,900	—	—	—	—	134,000
Comprehensive loss attributable to non-controlling interest	—	—	—	—	—	—	(81,638)	(81,638)
Stock based compensation	—	—	710,870	—	—	—	—	710,870
Balance - June 30, 2023	<u>11,784,280</u>	<u>\$ 14,263</u>	<u>\$ 14,438,196</u>	<u>\$ 29,101,225</u>	<u>\$ (3,554,893)</u>	<u>\$ (1,071,930)</u>	<u>\$ 1,487,967</u>	<u>\$ 40,414,828</u>
Net loss attributable to Parent Company	—	—	—	(3,964,016)	—	—	—	(3,964,016)
Foreign exchange translation attributable to Parent Company	—	—	—	—	—	(110,895)	—	(110,895)
Foreign exchange translation attributable to non-controlling interest	—	—	—	—	—	—	(56,368)	(56,368)
Comprehensive loss attributable to non-controlling interest	—	—	—	—	—	—	(202,655)	(202,655)
Stock based compensation	—	—	295,104	—	—	—	—	295,104
Balance - June 30, 2024	<u>11,784,280</u>	<u>\$ 14,263</u>	<u>\$ 14,733,300</u>	<u>\$ 25,137,209</u>	<u>\$ (3,554,893)</u>	<u>\$ (1,182,825)</u>	<u>\$ 1,228,944</u>	<u>\$ 36,375,998</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

FRANKLIN WIRELESS CORP.
Consolidated Statements of Cash Flows

	Fiscal Years Ended June 30,	
	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,166,671)	\$ (2,944,659)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	33,958	51,970
Amortization of intangible assets	993,214	839,595
Loss from foreign currency transactions	572,426	—
Stock based compensation	295,104	710,870
Write-down of inventories	16,934	—
Loss from the disposal of property and equipment and intangible assets	10,417	—
Forgiveness of debts	—	(238,307)
Amortization of right of use assets	(1,333,369)	295,956
Deferred tax benefit	(958,759)	(888,079)
Increase (decrease) in cash due to change in working capital:		
Accounts receivable	7,722,229	(7,627,183)
Inventories	2,290,211	456,226
Other current assets	(64,311)	29,946
Advance payments to vendors	(23,792)	120,921
Other assets	(4,699)	(451)
Accounts payable	(5,685,087)	4,905,499
Contract liabilities and advance from customers	8,248	(85,136)
Accrued legal contingency expense	(2,400,000)	2,400,000
Accrued liabilities	581,972	399,552
Lease liabilities	1,338,615	(308,834)
Net cash used in operating activities	<u>(773,360)</u>	<u>(1,882,114)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds (purchases) of short-term investments	910,034	(10,391,654)
Purchases of property and equipment	(55,025)	(47,106)
Payments for capitalized product development costs	(123,359)	(1,631,376)
Purchases of intangible assets	(7,792)	(39,047)
Net cash provided by (used in) investing activities	<u>723,858</u>	<u>(12,109,183)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Loan to an employee	—	(2,057)
Repayment received from the employee loan	91,057	—
Cash received from exercise of stock options	—	45,000
Net cash provided by financing activities	<u>91,057</u>	<u>42,943</u>
Effect of foreign currency translation	<u>(16,285)</u>	<u>(87,778)</u>
Net increase (decrease) in cash and cash equivalents	25,270	(14,036,132)
Cash and cash equivalents, beginning of year	12,241,286	26,277,418
Cash and cash equivalents, end of year	<u>\$ 12,266,556</u>	<u>\$ 12,241,286</u>
Supplemental disclosure of cash flow information:		
Cash paid during the periods for:		
Income taxes	\$ (46,000)	\$ (800)

The accompanying notes are an integral part of these audited consolidated financial statements.

FRANKLIN WIRELESS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS OVERVIEW

Doing business as “FranklinAccess”, we are a leading global provider of integrated wireless solutions utilizing the latest 5G (fifth generation) and 4G LTE (fourth generation long-term evolution) technologies including mobile hotspots, fixed wireless routers, and mobile device management (MDM) solutions. We are a leading enabler of the Digital Divide initiative, and our expertise extends to innovation in Internet of Things (IoT) and machine-to-machine (M2M) applications, driving forward seamless communication and connectivity for both individuals and enterprises.

We hold 66.3% ownership of Franklin Technology Inc. (FTI) since the date of acquisition, October 1, 2009, a research and development company based in Seoul, South Korea. FTI primarily provides design and development services for our wireless products. Our products are generally marketed and sold directly to wireless operators and indirectly through strategic partners and distributors. Our primary markets are in North America and Asia.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to GAAP and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary with a majority voting interest of approximately 66.3% (approximately 33.7% is owned by non-controlling interests) as of June 30, 2024, and 2023. In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of the subsidiary applicable to non-controlling interests.

Reclassifications

Certain amounts on the prior period's consolidated financial statements were regrouped and reclassified to conform to current-year presentation, with no effect on total stockholders' equity.

Non-controlling Interest in a Consolidated Subsidiary

Noncontrolling interests represent approximately 33.7% equity interests in FTI held by minority shareholders as of the reporting dates. As of June 30, 2024, the non-controlling interest was \$1,228,944, which represents a \$259,023 decrease from \$1,487,967 as of June 30, 2023. The decrease of \$259,023 in the non-controlling interest consists of \$ 202,655 from loss in the subsidiary of \$602,110 and \$56,368 from foreign exchange translation incurred for the year ended June 30, 2024.

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Segment Reporting

Accounting Standards Codification ("ASC") 280, "Segment Reporting," requires public companies to report financial and descriptive information about their reportable operating segments. We identify our operating segments based on how our chief operating decision maker internally evaluates separate financial information, business activities and management responsibility. We have one reportable segment, consisting of the sale of wireless access products.

We shall generate revenues from three geographic areas, consisting of North America and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

	Fiscal Years Ended June 30,	
	2024	2023
Net sales:		
North America	\$ 30,699,727	\$ 45,782,084
Asia	96,963	166,432
Totals	\$ 30,796,690	\$ 45,948,516

	June 30, 2024	June 30, 2023
Long-lived assets, net (property and equipment and intangible assets):		
North America	\$ 1,218,139	\$ 2,083,902
Asia	206,426	198,070
Totals	\$ 1,424,565	\$ 2,281,972

Fair Value of Financial Instruments

Fair value accounting is applied for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1 – Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 – Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that cannot be directly corroborated by observable market data and that typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments such as cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable, and accrued liabilities approximate the related fair values due to the short-term nature of these instruments. We invest our excess cash into financial instruments which are readily convertible into cash, such as money market funds and certificates of deposit

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Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Allowance for Doubtful Accounts

On July 1, 2023, we adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to Off-Balance Sheet ("OBS") credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments and leases recognized by a lessor in accordance with Topic 842 on leases. Upon adoption of ASC 326 and based upon our review of our collection history as well as the current balances associated with all significant customers and associated invoices, as of June 30, 2024, and 2023, we did not record any reserve for unfunded commitments and doubtful accounts.

Cash Flows Reporting

We follow ASC 230, Statements of Cash Flows, for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category. We use the indirect or reconciliation method ("Indirect method") as defined by ASC 230, Statement of Cash Flows, to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and all items that are included in net (loss) income that do not affect operating cash receipts and payments.

Related Parties

We follow ASC 850, "Related Party Disclosures," for the identification of related parties and disclosure of related party transactions. Related parties are any entities or individuals that, through employment, ownership or other means, possess the ability to direct or cause the direction of our management and policies of the Company. (Refer to NOTE 11-RELATED PARTY TRANSACTIONS)

Foreign Currency Translations

We have a majority-owned subsidiary in foreign country, South Korea. Fluctuations in foreign currency impact the amount of total assets, liabilities, earnings and cash flows that we report for our foreign subsidiary upon the translation of these amounts into U.S. Dollars for, and as of the end of, each reporting period. In particular, the strengthening of the U.S. Dollar generally will reduce the reported amount of our foreign-denominated cash, cash equivalents, total revenues and total expense that we translate into U.S. Dollars and report in our consolidated financial statements for, and as of the end of, each reporting period. However, a majority of our consolidated revenue is denominated in U.S. Dollars, and therefore, our revenue is not directly subject to foreign currency risk.

In accordance with ASC 830, when an operation has transactions denominated in a currency other than its functional currency, they are measured in the functional currency. Changes in the expected functional currency cash flows caused by changes in exchange rates are included in net income (loss) for the period.

Leases

In accordance with ASC 842, we determine whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. For identified leases, we determine whether it should be classified as an operating or finance lease. Operating leases are recorded in the balance sheet as right-of-use assets ("ROU assets") and operating lease obligation. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payment arising from the lease ROU assets and operating lease liabilities are recognized at the commencement date of the lease and measure based on the present value of lease payment over the lease term. The ROU assets also includes deferred rent liabilities. Our lease arrangement generally does not provide an implicit interest rate. As a result, in such situations, we use its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We include options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its ROU assets and liabilities.

Lease expense for operating lease is recognized on a straight-line basis over the lease term. We are also electing not to apply the recognition requirements to short-term leases of twelve months or less and instead will recognize lease payments as expense on a straight-line basis over the lease term.

Revenue Recognition

The Company accounts for its revenue according to ASC 606, "Revenue from Contracts with Customers", pursuant to which, revenue is recognized when the control of the promised goods or services is transferred to the customers, and the performance obligations under the contract have been satisfied, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services.

The Company determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Contracts with Customers

Revenue from sales of products and services is derived from contracts with customers. The products and services covered by contracts primarily consist of hot spot routers. Contracts with each customer generally state the terms of the sale, including the description, quantity and price of each product or service. Payment terms are stated in the contract, primarily in the form of a purchase order. Since the customer typically agrees to a stated rate and price in the purchase order that does not vary over the life of the contract, the majority of our contracts do not contain variable consideration. We establish a provision for estimated warranty and returns. Using historical averages, that provisions for the years ended June 30, 2024, and 2023, were not material.

Disaggregation of Revenue

In accordance with Topic 606, we disaggregate revenue from contracts with customers into geographical regions and by the timing of when goods and services are transferred. We determined that disaggregating revenue into these categories meets the disclosure objective in Topic 606, which is to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by regional economic factors.

Contract Balances

We perform our obligations under a contract with a customer by transferring products in exchange for consideration from the customer. We typically invoice our customers as soon as control of an asset is transferred, and a receivable is established. We, however, recognize contract liability when a customer prepays for goods and/or services, or we have not delivered goods under the contract since we have not yet transferred control of the goods and/or services.

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The balances of our trade receivables are as follows:

	June 30, 2024	June 30, 2023
Accounts Receivable, net	\$ 1,155,060	\$ 8,949,802

The balance of contract assets was immaterial as we did not have a significant amount of un-invoiced receivables in the periods ended June 30, 2024, and June 30, 2023.

Our contract liabilities and advance from customers are as follows:

	June 30, 2024	June 30, 2023
Undelivered products	\$ 158,771	\$ 146,488

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good and/or service to the customer and is the unit of measurement in Topic 606. At contract inception, we assess the products and/or services promised in our contracts with customers. We then identify performance obligations to transfer distinct products and/or services to the customer. To identify performance obligations, we consider all the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Our performance obligations are satisfied at a point in time. Revenue from products transferred to customers at a single point in time accounted for over 99% of net sales for the year ended June 30, 2024 and 2023. Revenue for non-recurring engineering projects is based on the percentage completion of a project and accounted for under 1% of net sales for the years ended June 30, 2024 and 2023. Most of our revenue that is recognized at a point in time is for the sale of hot-spot router products. Revenue from these contracts is recognized when the customer can direct the use of and obtain substantially all of the benefits from the product, which generally coincides with title transfer at completion of the shipping process.

As of June 30, 2024 and 2023, our contracts do not contain any unsatisfied performance obligations, except for undelivered products.

Cost of Goods Sold

All costs associated with our contract manufacturers, as well as distribution, fulfillment and repair services, are included in our cost of goods sold. Cost of goods sold also includes amortization expenses of approximately \$970,000 and \$800,000 associated with capitalized product development costs associated with complete technology for the years ended June 30, 2024, and 2023, respectively.

Capitalized Product Development Costs

Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other" includes software that is part of a product or process to be sold to a customer and shall be accounted for under Subtopic 985-20. Our products contain embedded software internally developed by FTI, which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding.

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The costs of product development that are capitalized once technological feasibility is determined (noted as Technology in progress in the Intangible Assets table, in Note 2 to Notes to Consolidated Financial Statements) include certifications, licenses, payroll, employee benefits, and other headcount-related expenses associated with product development. We determine that technological feasibility for our products is reached after all high-risk development issues have been resolved. Once the products are available for general release to our customers, we cease capitalizing the product development costs and any additional costs, if any, are expensed. The capitalized product development costs are amortized on a product-by-product basis using the straight-line amortization. The amortization begins when the products are available for general release to our customers.

As of June 30, 2024, and 2023, capitalized product development costs in progress were \$ 0 and \$203,838, respectively, and these amounts are included in intangible assets in our consolidated balance sheets. For the years ended June 30, 2024 and 2023, we incurred \$123,359 and \$1,631,376, respectively in capitalized product development costs, and all costs incurred before technological feasibility is reached are expensed and included in our consolidated statements of comprehensive income (loss).

Research and Development Costs

Costs associated with research and development are expensed as incurred. Research and development costs were \$ 3,406,750 and \$3,918,664 for the years ended June 30, 2024, and 2023, respectively.

Warranties

We provide a warranty for one year which is covered by our vendors and manufacturers under purchase agreements between the Company and the vendors. As a result, we believe we do not have any net warranty exposure and do not accrue any warranty expenses. Historically, the Company has

not experienced any material net warranty expenditures.

Shipping and Handling Costs

Costs associated with product shipping and handling are expensed as incurred. Shipping and handling costs, which are included in selling, general and administrative expenses on the statements of comprehensive income, were \$163,138 and \$234,681 for the years ended June 30, 2024, and 2023, respectively.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flow, we consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. We invest our excess cash into financial instruments which management believes are readily convertible into cash, such as money market funds that are readily convertible to cash and have a \$1.00 net asset value.

Short Term Investments

We have invested excess funds in short-term liquid assets, such as certificates of deposit or money market funds.

Inventories, Net

Our inventories consist of finished goods and are stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out basis. We assess the inventory carrying value and reduce it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management's best estimates given information currently available. Our customer demand is highly unpredictable and can fluctuate significantly caused by factors beyond our control. We may write down our inventory value for potential obsolescence and excess inventory. As of June 30, 2024, and 2023, we have recorded inventory reserves in the amount of \$91,482 and \$585,274, respectively, for inventories that we have identified as obsolete or slow-moving.

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Property and Equipment, Net

Property and equipment are recorded at cost. Significant additions or improvements extending the useful lives of assets are capitalized. Maintenance and repairs of expense nature are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Machinery	6 years
Office equipment	5 years
Molds	3-6 years
Vehicles	5 years
Computers and software	5 years
Furniture and fixtures	7 years
Facilities improvements	5 years or life of the lease, whichever is shorter

Goodwill and Intangible Assets

Goodwill and certain intangible assets were recorded in connection with the FTI acquisition in October 2009, and were accounted for in accordance with ASC 805, "Business Combinations." Goodwill represents the excess of the purchase price over the fair value of the tangible and intangible net assets acquired. Intangible assets are recorded at their fair value at the date of acquisition. Goodwill and other intangible assets are accounted for in accordance with ASC 350, "Goodwill and Other Intangible Assets." Goodwill and other intangible assets are tested for impairment at least annually and any related impairment losses are recognized in earnings when identified. No impairment was recognized during the years ended June 30, 2024, and 2023.

Intangible Assets, Net

The definite lived intangible assets consisted of the following as of June 30, 2024:

Definite lived intangible assets:	Expected Life	Average Remaining life	Gross Intangible Assets	Less Accumulated Amortization	Net Intangible Assets
Complete technology	3 years	—	18,397	18,397	—
Technology in progress	Not Applicable	—	—	—	—
Software	5 years	1.6 years	489,992	365,526	124,466
Patents	10 years	6.7 years	67,373	27,345	40,028
Certifications & licenses	3 years	1.4 years	3,924,007	2,778,875	1,145,132
Total as of June 30, 2024			\$ 4,499,769	3,190,143	1,309,626

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The definite lived intangible assets consisted of the following as of June 30, 2023:

Definite lived intangible assets:	Expected Life	Average Remaining life	Gross Intangible Assets	Less Accumulated Amortization	Net Intangible Assets
Complete technology	3 years	—	18,397	18,397	—
Technology in progress	Not Applicable	—	203,838	—	203,838
Software	5 years	1.6 years	423,762	347,228	76,534
Patents	10 years	7.0 years	59,975	21,108	38,867

Certifications & licenses	3 years	2.0 years	3,759,240	1,897,595	1,861,645
Total as of June 30, 2023			\$ 4,465,212	2,284,328	2,180,884

Amortization expense recognized during the years ended June 30, 2024, and 2023 were \$ 992,699 and \$839,595, respectively. For the year ended June 30, 2024, we disposed of fully amortized intangible assets in the amounts of \$86,884 and expensed technology in progress of \$9,404. For the year ended June 30, 2023, we did not dispose of intangible assets.

The amortization expenses of the definite lived intangible assets for the next five years and thereafter are as follows:

	FY2025	FY2026	FY2027	FY2028	FY2029	Thereafter
Total	\$ 853,077	\$ 385,150	\$ 45,234	\$ 17,913	\$ 7,688	\$ 564

Impairment of Long-lived Assets

In accordance with ASC 360, "Property, Plant, and Equipment," we review for impairment of long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. We consider the carrying value of assets may not be recoverable based upon our review of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount.

We are not aware of any events or changes in circumstances during the year ended June 30, 2024, that would indicate that the long-lived assets are impaired.

Stock-based Compensation

The Company accounts for stock options and other equity-based compensation issued in accordance with ASC 718 "Stock Compensation", which requires the measurement and recognition of compensation expense related to the fair value of equity-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all share-based compensation payments granted to employees and non-employees, net of estimated forfeitures, over the employees' requisite service period or the non-employees' performance period based on the grant date fair value estimated in accordance with the provision of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported.

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Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets, unless it is more likely than not such assets will be realized. Current income taxes are based on the year's taxable income for federal and state income tax reporting purposes and the annual change in deferred taxes.

The Company assesses its income tax positions and records tax benefits based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized in the financial statements. The Company classifies interest and penalties associated with such uncertain tax positions as a component of income tax expense.

(Loss) Earnings per Share Attributable to Common Stockholders

In accordance with ASC 260. Basic (loss) earnings per share are calculated by dividing the net (loss) income by the weighted-average number of common shares that were outstanding for the period, without consideration for potential common shares. Diluted (loss) earnings per share is calculated by dividing the net (loss) income by the sum of the weighted-average number of dilutive potential common shares outstanding for the period determined using the treasury-stock method or the as-converted method. Potentially dilutive shares are comprised of common stock options outstanding under our stock plan. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. Antidilutive shares are not taken into account while computation of weighted average number of shares for dilutive EPS calculation.

Concentrations of Credit Risk

We extend credit to our customers and perform ongoing credit evaluations of such customers. We evaluate our accounts receivable on a regular basis for collectability and provide an allowance for potential credit losses as deemed necessary. No reserve was required or recorded for any of the periods presented.

Substantially all of our revenues are derived from sales of wireless data products. Any significant decline in market acceptance of our products or in the financial condition of our existing customers could impair our ability to operate effectively.

A significant portion of our revenue is derived from a small number of customers. For the year ended June 30, 2024, net sales to our two largest customers represented approximately 68% and 22% of our consolidated net sales, respectively, and 0% and 85% of our accounts receivable balance as of June 30, 2024. For the year ended June 30, 2023, net sales to our two largest customers represented approximately 61% and 31% of our consolidated net sales, respectively, and 27% and 69% of our accounts receivable balance as of June 30, 2023.

For the year ended June 30, 2024, we purchased the majority of our wireless data products from two manufacturing companies located in Asia. If they were to experience delays, capacity constraints or quality control problems, product shipments to our customers could be delayed, or our customers could consequently elect to cancel the underlying product purchase order, which would negatively impact our revenue. For the year ended June 30, 2024, we purchased wireless data products from two suppliers in the amount of \$23,581,572, or 98.9% of total purchases, and had related accounts payable of \$6,263,385 as of June 30, 2024. For the year ended June 30, 2023, we purchased wireless data products from these suppliers in the amount of \$37,505,858, or 99.6% of total purchases, and had related accounts payable of \$ 12,598,741 as of June 30, 2023.

We maintain our cash accounts with established commercial banks. Such cash deposits exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 for each financial institution. However, we do not anticipate any losses on excess deposits.

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Recently Issued Accounting Pronouncements

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50)*. The ASU requires disclosure of the key terms of outstanding supplier finance programs and a rollforward of the related obligations. The ASU does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The ASU is effective for annual and interim periods beginning after December 15, 2022, except for the rollforward requirement, which is effective for annual periods beginning after December 15, 2023. There was no impact to our consolidated financial statements.

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280)*. This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted.

NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities consist of the following as of:

	June 30, 2024	June 30, 2023
Accrued payroll deductions owed to government entities	\$ 49,452	\$ 52,923
Accrued salaries and bonuses	875,000	375,000
Accrued vacation	164,884	141,590
Accrued commission for service providers	15,000	32,500
Accrued commission to a customer	247,592	247,592
Other accrued liabilities	73,218	6,556
Total	\$ 1,425,146	\$ 856,161

On November 10, 2022, the Company and OC Kim, its President, entered into an amendment of the employment letter agreement dated September 7, 2021. The amendment provides for the payment of an incentive bonus to Mr. Kim of \$125,000 for each calendar quarter during the remaining four-year term of the employment letter, which will be total amount of \$2M, with the first such bonus accrued on December 31, 2022. For the year ended June 30, 2024 and 2023, \$500,000 and \$375,000 bonus had been accrued, respectively, with \$ 875,000 and \$375,000 accrual bonus balances as of June 30, 2024 and 2023, respectively.

The Company accrued a commission of approximately \$ 650,000 to a customer to provide a financial support for its sales program during the 2021 fiscal year. The accrued commission has been paid approximately \$400,000 in the form of credit with the remaining balance of approximately \$250,000 as of June 30, 2024.

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NOTE 4 – INCOME TAXES

Income tax benefit for the years ended June 30, 2024, and 2023 consists of the following:

	Year Ended June 30,	
	2024	2023
Current income tax (benefit) expense:		
Federal	\$ 8,659	\$ 5,211
State	800	975
Foreign	—	(4,766)
Total Current income tax expense (benefit)	9,459	1,420
Deferred income tax benefit:		
Federal	(891,455)	(752,843)
State	3,101	(6,155)
Foreign	(70,405)	(129,081)
Total deferred income tax expense (benefit)	(958,759)	(888,079)
Benefit for income taxes	\$ (949,300)	\$ (886,659)

The benefit for income taxes reconciles to the amount computed by applying the effective federal statutory income tax rate to the income before provision for income taxes as follows:

	Year Ended June 30,	
	2024	2023

Federal income tax, at statutory rate of 21% applied to (loss) earnings before income taxes and extraordinary items	\$ (1,074,307)	\$ (810,281)
State tax, net of federal tax benefit	2,535	15,082
Nondeductible expenses	63,393	5,850
R&D credits	(46,945)	(51,415)
Foreign rate difference	(13,450)	4,743
Others	119,474	(50,638)
Change in valuation allowance	—	—
Benefit for income taxes	\$ (949,300)	\$ (886,659)

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Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets are as follows:

	June 30, 2024	June 30, 2023
Deferred tax asset:		
Net operating losses	\$ 1,445,271	\$ 697,431
State tax	168	205
Lease accounting, net	2,457	1,359
Intangibles	1,330,679	735,680
Tax credits	227,706	191,544
Legal contingency expense reserve	—	504,000
Inventory reserve	19,236	123,488
Other, net	306,415	104,044
Total deferred tax assets	3,331,932	2,357,751
Deferred tax liabilities:		
Deferred state taxes	(47,193)	(49,787)
Property and equipment, net	(80)	(1,652)
Unrealized gain (loss)	(100,419)	(70,797)
Total deferred tax liabilities	(147,692)	(122,236)
Less valuation allowance	—	—
Net deferred tax asset	\$ 3,184,240	\$ 2,235,515

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. We have evaluated the available evidence supporting the realization of our gross deferred tax assets, including the amount and timing of forecasted future taxable income. Management determined it is more likely than not that the federal deferred tax assets will be fully realized, and no valuation allowance is necessary to record as of June 30, 2024, or 2023.

As of June 30, 2024, we have federal and state net operating loss carryforwards of approximately \$ 5.8 million and \$0.5 million, respectively. Under the Tax Cuts and Jobs Act, the federal net operating loss of approximately \$5.8 million, which will carry forward indefinitely. The state net operating loss of approximately \$0.5 million will begin to expire through 2043. The utilization of net operating loss carryforwards may be subject to limitations under provisions of the Internal Revenue Code Section 382 and similar state provisions.

We apply the provisions of ASC 740 related to accounting for uncertain tax positions, which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Under this provision, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. Tax benefits of an uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained based on technical merits.

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A reconciliation of the beginning and ending balance of unrecognized tax benefits, which have been considered in the Company's computation of its deferred tax assets, is as follows:

Balance as of June 30, 2022	\$ 365,048
Gross increase	23,968
Balance as of June 30, 2023	389,016
Gross increase	25,310
Balance as of June 30, 2024	<u>\$ 414,326</u>

We do not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months. ASC 740 requires us to accrue interest and penalties where there is an underpayment of taxes based on our best estimate of the amount ultimately to be paid. Our policy is to recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. We have not recorded any interest or penalties as the liability associated with the unrecognized tax benefits is immaterial. We are subject to taxation in the U.S., and various state and foreign jurisdictions.

NOTE 5 – (LOSS) EARNINGS PER SHARE

We report (loss) earnings per share in accordance with ASC 260, "Earnings Per Share." Basic (loss) earnings per share are computed using the weighted average number of shares outstanding during the period. Diluted (loss) earnings per share represent basic earnings per share adjusted to include the potentially dilutive effect of outstanding stock options by using the treasury stock method that the proceeds we receive from an in-the-money option exercise are used towards repurchasing common shares in the market.

For the years ended June 30, 2024, and 2023, we were in a net loss position and have excluded 627,001 and 647,001 stock options from the calculation of diluted net loss per share because these securities are anti-dilutive.

The weighted average number of shares outstanding used to compute loss per share is as follows:

	Year Ended June 30,	
	2024	2023
Net loss attributable to Parent Company	\$ (3,964,016)	\$ (2,863,021)
Weighted-average shares of common stock outstanding:		
Basic	11,784,280	11,736,609
Dilutive effect of common stock equivalents arising from stock options	—	—
Diluted Outstanding shares	11,784,280	11,736,609
Basic loss per share attributable to Parent Company stockholders	\$ (0.34)	\$ (0.24)
Diluted loss per share attributable to Parent Company stockholders	\$ (0.34)	\$ (0.24)

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NOTE 6 – COMMITMENTS AND CONTINGENCIES

Leases

We adopted ASC 842 new lease accounting on July 1, 2019. We had an operating lease principally for both Franklin Wireless Corp. and Franklin Technologies Inc., in accordance with ASC 842.

We determine whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. Operating leases are recorded in the balance sheet as right-of-use assets ("ROU assets") and operating lease obligation. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payment arising from the lease. ROU assets and operating lease liabilities are recognized at the commencement date of the lease and measure based on the present value of lease payment over the lease term. The ROU assets also includes deferred rent liabilities. Our lease arrangement generally does not provide an implicit interest rate. As a result, in such situations, we use its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We include options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its ROU assets and liabilities. Lease expense for operating lease is recognized on a straight-line basis over the lease term. We are also electing not to apply the recognition requirements to short-term leases of twelve months or less and instead will recognize lease payments as expense on a straight-line basis over the lease term.

We leased approximately 12,775 square feet of office space in San Diego, California, at a monthly rent of \$25,754, pursuant to a lease that expired in December 2023. On October 19, 2023, we signed a lease for office space consisting of approximately 11,400 square feet, located in San Diego, California, at a monthly rent of \$23,370, which commenced on January 1, 2024. In addition to monthly rent, the lease includes payment for certain common area costs. The term of the lease for the office space is 65 months from the lease commencement date. Our facility is covered by an appropriate level of insurance, and we believe it to be suitable for our use and adequate for our present needs. Rent expense related to this property was \$321,259 and \$309,053 for the years ended June 30, 2024 and 2023.

On or about December 7, 2023, we received an invoice from our prior landlord, Hunsaker & Associates, requesting payment of additional rent on our completed and expired lease of office space located at 9707 Waples Street, San Diego, CA, as of December 31, 2023. This invoice of \$142,978 purports to represent charges for variable cost increases during the prior 7 years of the lease, which was discounted by \$46,274 and adjusted down to \$96,704 for the three months ended June 30, 2024. We are currently reviewing these charges and will be requesting further validation of these charges, in accordance with our rights granted under the lease. For the year ended June 30, 2024, we recorded an additional rent expense of \$96,704 and an accrued liability of \$72,048 reflecting this pending invoice and a credit of \$ 24,656 for our deposit on the leasehold property.

Our Korea-based subsidiary, FTI, leases approximately 10,000 square feet of office space, at a monthly rent of approximately \$8,000, and additional office space consisting of approximately 2,682 square feet at a monthly rent of approximately \$2,700, both located in Seoul, Korea. These leases expired on August 31, 2024, and were extended for an additional 24 months to August 31, 2026. In addition to monthly rent, the leases provide for periodic cost of living increases in the base rent and payment for certain common area costs. These facilities are covered by an appropriate level of insurance, and we believe them to be suitable for our use and adequate for our present needs. Rent expense related to these leases was approximately \$112,206 and \$128,400 for each of the years ended June 30, 2024 and 2023, respectively. Short-term leases with initial terms of twelve months or less are not capitalized, and our leases of the South Korean offices and corporate housing facility have been considered as short-term lease.

We lease one corporate housing facility, located in Seoul, Korea, primarily for our employees who travel, under a non-cancelable operating lease that expired on September 4, 2024, and was extended for an additional twelve months to September 4, 2025. Rent expense related to this lease was \$8,089 and \$8,095 for the years ended June 30, 2024 and 2023, respectively.

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We used a discount rate of 4.0% in determining our operating lease liabilities for the office space that expired on December 31, 2023, and used a discount rate of 7.0% for the office space that commenced on January 1, 2024, in San Diego, California, respectively. These rates represented our incremental borrowing rates at that time. Short-term leases with initial terms of twelve months or less are not capitalized, and our leases of the South Korean offices and corporate housing facility have been considered as short-term leases.

Rent expenses for the years ended June 30, 2024, and 2023 were \$ 554,052 and \$445,548 respectively. In accordance with ASC 842, the components of the lease expense and supplemental cash flow information related to leases for the years ended June 30, 2024, and 2023 are as follows:

Years ended June 30,

	2024	2023
Operating lease expense	\$ 321,259	\$ 309,053
Additional charges for the prior operating lease subject to dispute	96,704	—
Short term lease cost	120,295	136,495
Total lease expense	<u>\$ 538,258</u>	<u>\$ 445,548</u>

In accordance with ASC 842, future minimum payments under operating leases are as follows:

	Operating Lease
Fiscal 2025	\$ 336,972
Fiscal 2026	344,789
Fiscal 2027	352,840
Fiscal 2028	387,437
Fiscal 2029	363,310
Total lease payments	1,785,348
Less imputed interest	(287,629)
Total	\$ 1,497,719
Remaining lease term-operating leases	4.9 years
Discount rate-operating lease	7%

Litigation

We are from time to time involved in certain legal proceedings and claims arising in the ordinary course of business.

Verizon Jetpack Recall

On April 8, 2021, Verizon issued a press release announcing that it was working with the U.S. Consumer Product Safety Commission (CPSC) to conduct a voluntary recall of certain Verizon Ellipsis Jetpack mobile hotspot devices, indicating that the lithium-ion battery in the devices can overheat, posing a fire and burn hazard. According to the CPSC release, the recall affects approximately 2.5 million devices. We imported the devices and supplied them to Verizon.

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Verizon first advised us of one alleged Jetpack device failure at the end of February 2021. We immediately began meeting with Verizon and requested access to the device. We also began internal testing to evaluate device performance. We did not receive any further incident information until the last week of March 2021. On April 1, 2021 we issued a press release announcing that we had received reports from Verizon about potential issues with the batteries in the devices. On April 9, 2021 we issued a press release announcing the voluntary recall by Verizon.

As of the date of this report, we have been unable to recreate any device failures of the type identified by Verizon. All internal testing conducted to date has confirmed that the Jetpack devices are performing within normal parameters. We are not currently aware of any aspect of the Jetpack design that could cause the devices to fail in the way described in Verizon's recall notice.

Future Impact on Financial Performance

We are striving to avoid any litigation with Verizon arising from the recall and have not been served with any legal action by Verizon relating to the products covered by the recall. We are not currently able to estimate the financial impact of the recall on our future operations. At this time, we do not have information that identifies the cause of the alleged incidents. We also do not have any specific legal claims or theories of causation for device failure incidents that would help us estimate the cost of potential future litigation. No liability has been recorded for this litigation because the Company believes that any such liability is not probable and reasonably estimable at this time.

Shareholder Litigation

Ali

A shareholder action, Ali vs. Franklin Wireless Corp. et al. Case #3:21-cv-00687-AJB-MSB, was filed in the U.S. District Court, Southern District of California (San Diego) on April 16, 2021, alleging, among other things, that we had prior knowledge that the Verizon recall was likely and that we did not disclose that information to investors in a timely manner. The Class and Defendants have executed a Stipulation and Agreement of Settlement under which the Class releases all claims against Defendants in exchange for a payment by Defendants of \$2.4 million (the "Settlement Amount"), which is reflected in liabilities under "accrued legal contingency expense" with a corresponding charge to "loss from a legal contingency". The Class has submitted a motion for preliminary approval of the settlement, which the Court denied on January 24, 2024. On April 22, 2024, after resubmission of the application, the court granted preliminary approval of the settlement. On May 6, 2024, per the terms of the settlement agreement, we sent by wire transfer \$2,400,000 to an account specified by the Ali class action claim administrator, Epiq (the appointed Settlement Administrator by the Court).

Harwood / Martin

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, by Stephen Harwood, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case #21cv01837-AJB-MSB, on or about October 29, 2021, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, by Debra Martin, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case #21cv2091-AJB-MSB, on or about December 15, 2021, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

The Harwood and Martin actions have been consolidated into a single action in the U.S. District Court, Southern District of California (San Diego) titled "In re Franklin Wireless Corp. Derivative Litigation", Case No.: 21cv1837-AJB (MSB). Discovery has been completed and trial has been scheduled to begin on December 9, 2024.

Pape

A legal action was filed in the Second Judicial District Court of Nevada in the County of Washoe against Franklin, as a nominal defendant, Barbara Pape, derivatively on behalf of nominal defendant Franklin Wireless Corp. v. O.C. Kim, et al., Case # CV22-00471, on or about March 21, 2022, claiming among other things, that we had prior knowledge that the recall was likely and that we did not disclose that information to investors in a timely manner. We believe these allegations are not supported by the facts and we will vigorously defend against such claims.

The Company will vigorously defend such shareholder litigation and proceedings. No liability has been recorded for these litigations because the Company believes that any such liability is not probable and reasonably estimable as of the reporting date.

"Short-Swing" Profits Litigation

A legal action was filed in the U.S. District Court, Southern District of California (San Diego) against Franklin, as a nominal defendant, Nosirrah Management LLC v. Franklin Wireless et al., Case # 3:21-cv-01316-RSH-JLB, on or about July 22, 2021, claiming that our Chief Executive Officer, O.C. Kim, violated Section 16(b) of the Securities Exchange Act of 1934 for receiving "short-swing" profits from a sale and purchase of Franklin shares, in violation of that Act. On October 19, 2023, the jury returned a verdict of \$2,000,000 in favor of the Company against the Company's Chief Executive Officer, O.C. Kim. Mr. Kim. Subsequently, the parties entered into a settlement agreement on June 12, 2024, for Mr. Kim to pay \$1,000,000, and the appeal by OC Kim was dismissed (see "Exhibit 10.9"). On September 23, 2024 the Company and Mr. Kim entered into a Forbearance Agreement to defer payment of the settlement in exchange for deferment of a \$1,250,000 bonus for securing a joint venture agreement with MeiG Smart Technology Co., Ltd. To allow Mr. Kim time to pursue remedies with the State of Nevada. (see "Exhibit 10.13")

Loan Agreement with Subsidiary

On March 21, 2022, Franklin Wireless Corp. (the "Company") entered into a Loan Agreement with Franklin Technology Incorporation, a Republic of Korea corporation ("FTI"), under which the Company agreed to loan US\$10,000,000 to FTI. The Company owns a majority of the outstanding equity of FTI. FTI's primary business is providing design and development services to the Company for our wireless products. As part of the loan transaction, FTI delivered a \$10 million Promissory Note to the Company (the "Note"). In the preparation of consolidated financial statements of the Company, the transactions and balances related to the loan of \$10 million, including the accrued interest for the year ended June 30, 2024, were eliminated as intercompany transactions.

The purpose of the loan is to allow FTI to purchase a facility in South Korea to house its operations, and to provide it with additional working capital. The purchase of such a facility with the loan proceeds is subject to the Company's reasonable approval. Upon acquisition of the facility, FTI is required to grant the Company a mortgage on it to secure payment of the Note. The Note is for a term of five years, provides for annual payments of interest at 2% per annum, and is due and payable upon maturity. The Note and Loan Agreement include customary provisions for default and acceleration upon default, and a default interest rate of 7% per annum. As of June 30, 2024, there's no new information regarding the status of the facility's acquisition.

Employment Contracts

On October 1, 2020, we entered into Change of Control Agreements with OC Kim, our President, and Yun J. (David) Lee, our Senior Vice President of Sales and previously served as Chief Operating Officer. Each Change of Control Agreement provides for a lump sum payment to the officer in case of a change of control of the Company. The term includes the acquisition of Common Stock of the Company resulting in one person or company owning more than 50% of the outstanding shares, a significant change in the composition of the Board of Directors of the Company during any 12-month period, a reorganization, merger, consolidation or similar transaction resulting in the transfer of ownership of more than fifty percent (50%) of the Company's outstanding Common Stock, or a liquidation or dissolution of the Company or sale of substantially all of the Company's assets.

The Change of Control Agreement with Mr. Kim calls for a payment of \$5 million upon a change of control, and the agreement with Mr. Lee calls for a payment of \$2 million upon a change of control. These agreements were for an initial term of three years but have now been extended through October 2027.

On November 10, 2022, the Company and OC Kim, its President, entered into an amendment of the employment letter agreement dated September 7, 2021. The amendment provides for a severance payment of \$3 million if Mr. Kim voluntarily terminates his employment by the Company or if he voluntarily terminates his employment due to a "change in circumstances," generally defined as a material breach by the Company of its salary and benefit obligations or a significant reduction in Mr. Kim's title or responsibilities. In the case of a termination of employment by the Company for cause (generally defined as conviction of a felony, or a misdemeanor where imprisonment is imposed, commission of any act of theft, fraud, dishonesty, or material falsification of any employment or Company records, or improper disclosure of the Company's confidential or proprietary information), the Company is to make a severance payment of \$1,500,000. In either case, any unvested options become immediately vested.

In the amendment, Mr. Kim also agrees that, for a period of two years after termination, he will not disparage the Company or its officers, solicit any of its employees to terminate their employment, or disclose any of the Company's proprietary information. In addition, the amendment provides for the payment of an incentive bonus to Mr. Kim of \$125,000 for each calendar quarter during the remaining four-year term of the employment letter, with the first such bonus due on December 31, 2022. For the year ended June 30, 2024 and 2023, \$500,000 and \$375,000 bonus had been accrued, respectively, with \$875,000 and \$375,000 accrual bonus balances as of June 30, 2024 and 2023, respectively.

The employment agreement with OC Kim was renewed and extended by the Board in September 2024 and will continue through October 2027.

International Tariffs

We believe that our products are currently exempt from international tariffs upon import from our manufacturers to the United States. If this were to change at any point, a tariff of 10%-25% of the purchase price would be imposed. If such tariffs are imposed, they could have a materially adverse effect on sales and operating results.

Customer Indemnification

Under purchase orders and contracts for the sale of our products we may provide indemnification to our customers for potential intellectual property infringement claims for which we may have no corresponding recourse against our third-party licensors. This potential liability, if realized, could materially adversely affect our business, operating results and financial condition.

NOTE 7 – LONG-TERM INCENTIVE PLAN AWARDS

We apply the provisions of ASC 718, "Compensation - Stock Compensation," to all of our stock-based compensation awards and use the Black-Scholes option pricing model to value stock options. The fair value of each share option award on the date of grant was estimated using the Black-Scholes method based on the following weighted average assumptions: The risk-free interest rate is based on the U.S. treasury yield curve in effect at the time of grant for periods corresponding with the expected term of options award; the expected term represents awards granted are expected to be outstanding giving considerations vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the dividend yield is based upon the company's dividend rate at the time fair value is measure and future expectations. Under this application, we record compensation expense for all awards granted.

In July of 2020, the Board of Directors adopted the 2020 Franklin Wireless Corp. Stock Option Plan (the "2020 Plan"), which covers 800,000 shares of Common Stock. The 2020 Plan provides for the grant of incentive stock options, non-qualified stock options and restricted stock to our employees, directors, and independent contractors. These options will have such vesting or other provisions as may be established by the Board of Directors at the time of each grant.

The estimated forfeiture rate considers historical turnover rates stratified into employee pools in comparison with an overall employee turnover rate, as well as expectations about the future. We periodically revise the estimated forfeiture rate in subsequent periods if actual forfeitures differ from those estimates. There were \$295,104 and \$710,870 compensation expenses recorded under this method for the years ended June 30, 2024, and 2023, respectively.

A summary of the status of our stock options is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding as of June 30, 2022	766,001	\$ 3.85	3.37	\$ 183,270
Granted	—	—	—	—
Exercised	(100,000)	1.34	—	—
Forfeited or expired	(19,000)	5.40	—	—
Outstanding as of June 30, 2023	647,001	\$ 4.24	2.88	\$ 130,200
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited or expired	(20,000)	4.90	—	—
Outstanding as of June 30, 2024	627,001	\$ 4.22	1.89	\$ 91,750
Exercisable as of June 30, 2024	570,392	\$ 4.31	1.82	\$ 76,598

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based upon the Company's closing stock price of \$3.63 as of June 30, 2024, which would have been received by the option holders had all option holders exercised their options as of that date. The weighted-average grant-date fair value of stock options outstanding as of June 30, 2024, in the amount of 627,001 shares was \$3.3 per share.

As of June 30, 2024, there was unrecognized compensation cost of \$ 172,939 related to non-vested stock options granted.

NOTE 8 – STOCKHOLDERS' EQUITY

Common Stock

We have been authorized to issue 50,000,000 shares of common stock, \$0.001 par value. Each share of issued and outstanding common stock shall entitle the holder thereof to fully participate in all shareholder meetings, to cast one vote on each matter with respect to which shareholders have the right to vote, and to share ratably in all dividends and other distributions declared and paid with respect to common stock, as well as in the net assets of the corporation upon liquidation or dissolution.

On December 22, 2022, we issued 100,000 common shares in conjunction with stock-based compensation awards. There were 11,784,280 shares issued and outstanding as of June 30, 2024, and 2023, respectively.

Preferred Stock

We have been authorized to issue 10,000,000 shares of preferred stock. \$0.01 par value, but no preferred stock is issued and outstanding as of June 30, 2024 and 2023.

Treasury Stock

We had 2,549,208 shares of treasury stock, valued at \$ 3,554,893 (based on the costs that we agreed to repurchase) as of June 30, 2024 and 2023.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the years ended June 30, 2024, and 2023, there have not been any transactions entered into or been a participant in which a related person had or will have a direct or indirect material interest.

NOTE 10 – SUBSEQUENT EVENTS

The FASB issued ASC 855, "Subsequent Events." ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has evaluated all events or transactions that occurred after June 30, 2024, up through the date the financial statements were available to be issued.

On May 14, 2024, the Company entered into an Agreement for Formation of Corporation (the "Agreement") with MeiG Smart Technology Co., Ltd. ("MeiG"), a leading supplier of cellular modules, IoT terminals and wireless data solutions. Under the terms of the Agreement, the Company and MeiG will form a Nevada corporation to be owned 60% by Franklin and 40% by MeiG. The Company will contribute \$3,000,000 to the new corporation and MeiG will contribute \$2,000,000. Under the terms of the Agreement, the new corporation will have a Board of Directors consisting of three members, with two to be appointed by the Company and one to be appointed by MeiG. The new company will engage in worldwide sales, marketing, customer support and operations for telecommunications modules to be provided by MeiG, under such brands or designations as the Board of Directors of the new company will determine. As of September 30, 2024, no contribution was committed by the Company and MeiG.

On September 23, 2024, the Board acknowledged that Mr. Kim had earned an incentive bonus of \$1,250,000 for negotiating and securing a joint venture agreement with MeiG Smart Technology Co., Ltd. However, the Company and Mr. Kim entered into a Forbearance Agreement, dated September 23, 2024, under which Mr. Kim agreed to defer payment of the bonus, in exchange for the Company's agreement to allow Mr. Kim to defer payment of the \$1,000,000 settlement amount owed by Mr. Kim to the Company under a Settlement Agreement, dated June 12, 2024. The forbearance is to allow Mr. Kim time to pursue remedies with the State of Nevada (See "Business—Shareholder Litigation—Short Swing Profits Litigation").

Other than what was described above, the Company did not have any material recognizable subsequent events required to be disclosed to the financial statements as of September 30, 2024.



Mr. OC Kim

5405 Pinewood Trails

San Diego, CA 92130

September 7, 2021

Dear Mr. Kim,

FRANKLIN WIRELESS CORP., a Nevada corporation ("Franklin"), is pleased to extend your employment contract on the following terms.

You will continue to serve as President of Franklin Wireless and report to the Board of Directors (the "Board") of Franklin Wireless.

You will continue to be responsible for:

- Overall management.
- Overall operations.
- Sales and marketing.
- Spearheading new investment sources and funding opportunities.
- Overall company strategy.
- Product management.

You will work primarily out of our principal office located San Diego, California

You may be expected to travel as reasonably required by your duties. Franklin will reimburse you for your reasonable and necessary travel, entertainment, business and other expenses incurred in direct consequence of the discharge of your duties. Franklin does not authorize you to incur any such expenses without prior approval.

Of course, Franklin may change your position, duties and work location from time to time, in its sole and absolute discretion.

Salary and Benefits: Your compensation will be \$12,500.00 per pay period , equivalent to \$300,000.00 per year, less payroll deductions and all required withholdings by Franklin. You will be paid semi monthly. Your position is as an exempt employee. This means you are not eligible to be paid overtime compensation. You will be immediately eligible for standard benefits, such as medical and dental insurance, vacation, sick leave and holidays in accordance with Franklin employment policies and any standard Franklin policy as may be adopted by Franklin from time to time.

A \$700.00 per month is allowed as a car allowance during your employment with Franklin.

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Franklin Board of Directors may modify your compensation and benefits from time to time, in its sole and absolute discretion.

Bonus and Terms of Compensation: The Company will use its reasonable efforts to implement a performance incentive program. You will be eligible to participate in this discretionary, performance-based incentive program. This incentive will be tied to your specific responsibilities and Franklin's performance and will be determined in the sole and absolute discretion of the Board.

Outside Activities: You are expected to devote your full time professional attention and expertise to the business of Franklin, and to work the hours necessary to fulfill your duties in an efficient manner. Except with the prior written consent of the Board, you will not during your employment with Franklin undertake or engage in any other employment, occupation or business enterprise. This prohibition does not preclude you from holding passive investments. You may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of your employment duties for Franklin.

Proprietary Information and Inventions Agreement: As a Franklin employee, you are expected to abide by Franklin rules and regulations and your previously signed Proprietary Information and Inventions Agreement, and the Company Code of Ethics, which, among other things, prohibits unauthorized use or disclosure of Franklin proprietary information are carried over with the signing of this contract.

At-will Employment: Your employment with Franklin is not promised for any specified period of time. Rather, it is "at-will," which means that you may terminate your employment with Franklin at any time and for any reason whatsoever simply by notifying Franklin. Likewise, the Franklin Board may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. This at-will employment relationship cannot be changed except in writing signed by the Franklin Chairman of the Board.

Arbitration: In the event of any dispute in connection with this Agreement or the Exhibits, the parties agree to resolve the dispute by binding arbitration in San Diego, California, under the Arbitration Rules of the American Arbitration Association ("AAA"), with a single arbitrator familiar with employment and technology agreements appointed by AAA. In the event of any dispute, the prevailing party shall be entitled to its reasonable attorneys' fees and costs from the other party, whether or not the matter is litigated or arbitrated to a final judgment or award. The arbitrator's decision shall be final and binding on

all parties, and may be entered in any court having competent jurisdiction.

Integration; Documentation: The employment terms in this letter, together with your Proprietary Information and Inventions Agreement, supersede any other agreements or promises made to you by anyone, whether oral or written. As required by law, your employment is subject to satisfactory proof of your right to work in the United States.

Employee Handbook, Confidentiality Agreement, Code of Conduct, and compliance with the Company's policies, practices and procedures are terms and conditions of your employment. As a condition of accepting this contact of employment, you will be required to complete, sign, and return the following: Acknowledgement of Receipt of the Handbook, Confidentiality Agreement.

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Your tenure as President of Franklin Wireless shall be for a three (3) year period, which covers the period of October 1, 2021, thru September 30, 2024. At the end of that period, both parties may decide on renewing the contract.

Please sign and date this letter, and return it to me by **September 13, 2021**, if you wish to accept employment at Franklin under the terms described above.

We look forward to your favorable reply and to a productive and enjoyable work relationship.

Sincerely,

Gary Nelson

Chairman of the Board of Directors of Franklin Wireless

On behalf of Franklin Wireless Corp.

John F. Parks - Director of Human Resources

You acknowledge that you have carefully read and considered all provisions of this Agreement and the Exhibits and agree that all of the information set forth herein are fair and reasonably required to protect the Company's interests. You acknowledge that you have received a copy of this Agreement and the Exhibits as signed by you.

OC Kim

Date

Attachments:

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Exhibit A

Arbitration

Any amendment to this Agreement shall be effective only if in writing and signed by both Employee and the President of Franklin Wireless Corporation

Governing Law. This Agreement, the rights and obligations of the parties, and any claims or disputes will be governed by the laws of the state of California. Any disputes other than injunctive relief by either party shall be resolved by arbitration before a neutral arbitrator in San Diego County, California, and any claim for injunctive relief shall only be filed in the Superior Court of the County of San Diego, California.

Arbitration. Arbitration is a process in which a dispute is presented to a neutral third party for a final and binding decision. There is no jury. Either party may choose to have a lawyer represent the party or not. The prevailing party can be awarded anything that may have been awarded after going through a long court process.

Franklin Wireless and Employee both give up certain rights, and gain certain benefits by arbitration. Other than for claims for injunctive relief, both parties agree to use arbitration in place of any other type of action, claim or lawsuit, and to submit to final and binding arbitration all claims or disputes that cannot be resolved informally which are related to Employee's employment or the termination of employment with Franklin Wireless, whether based in tort, contract, or provisions of federal or state labor and employment laws, including, but not limited to, any statutory claims, including those arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act, federal or state Family Medical Leave or Rights laws, as well as any claims of wrongful termination, breach of contract, breach of the covenant of good faith and fair dealing, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, defamation, invasion of privacy, discrimination, harassment, disability, and claims related to wages, including minimum wage, overtime, meal periods, vacation, commissions and bonuses.

The parties agree binding arbitration will be the sole remedy for any arbitrable claim, and agree to give up any right to a jury trial. Arbitration will be conducted before a single neutral arbitrator in San Diego County, California. The arbitrator will be chosen jointly by the parties and the arbitration will be conducted under the Federal Arbitration Act, or if inapplicable, the California Arbitration Act, under the Arbitration Rules of the American Arbitration Association ("AAA"), with a single arbitrator familiar with employment and technology agreements appointed by AAA. If the parties cannot agree on an arbitrator, then AAA shall appoint an arbitrator in accordance with AAA rules. The arbitrator shall have only such authority to award damages, costs, and fees as a court would have for the particular claim(s) asserted. The parties agree the arbitrator shall not have authority to hear any claim brought by another person, or any class action, collective action, or representative action to the extent this is not in violation of existing state or federal law. Nothing in this Agreement is intended to affect any right to engage in protected activity under the National Labor Relations Act. This arbitration agreement does not cover Unemployment Insurance or Workers Compensation claims.

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Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all arbitrable claims. Either party may bring an action in court to compel arbitration, to obtain injunctive relief, or to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to an arbitrable claim.

The arbitrator is expected to handle all aspects of the matter, including discovery and any hearings, in such a way as to minimize the expense and time of the process while assuring a fair and just result. The arbitrator shall control discovery by appropriately setting the amount of discovery that may be conducted, however, at a minimum, each party will be entitled to at least one deposition and shall have access to essential documents and witnesses as determined by the arbitrator. Franklin Wireless will pay the expenses for the arbitrator and AAA, except Employee shall pay a filing fee which shall be no greater than the cost of filing a lawsuit in Superior Court.

The arbitrator shall have exclusive authority to resolve all arbitrable claims, including, but not limited to, whether any particular claim is arbitrable, and whether all or any part of this Agreement is void or unenforceable. If any provision of the Agreement is found unenforceable, that provision may be severed without affecting this Agreement. The arbitrator shall have the power to award any relief permitted by law.

Headings - The paragraph headings contained in this Agreement are inserted for convenience or reference only, will not be deemed to be part of this Agreement for any purpose, and will not in any way define or affect the meaning or scope of any of the provisions.

You acknowledge that you have carefully read and considered all provisions and agree that all of the restrictions set forth herein are fair and reasonably required to protect the Company's interests. You acknowledge that you have received a copy of this Agreement as signed by you.

OC Kim

Date

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Settlement and Release Agreement

THIS SETTLEMENT AND RELEASE AGREEMENT ("Agreement") is made and entered into by and among F RANKLIN WIRELESS CORP., a Nevada corporation ("Issuer"); O.C. KIM ("Kim"), the president and chief executive officer of Issuer; NOSIRRAH MANAGEMENT, LLC, a shareholder of Issuer ("Nosirrah"), and STERLINGTON, PLLC ("Sterlington"), counsel to Nosirrah. Capitalized terms are defined parenthetically throughout this Agreement or have the meaning assigned to them in Article 7.

Recitals

1. Issuer is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act").
2. Nosirrah is a shareholder of Issuer.
3. Kim is the president and chief executive officer of Issuer, and as such is subject to the reporting and short-swing profit provisions of Section 16.
4. On July 22, 2021, Nosirrah filed a Complaint for Recovery of Short-Swing Profits Under 15 U.S.C. § 78p(b) in the United States District Court for the Southern District of California (the "Litigation").
5. The Litigation named Kim as a Defendant and Issuer as a Nominal Defendant.
6. Following a trial in the Litigation, a judgment was entered on October 27, 2023 (the "Judgment") requiring Kim to pay \$2,000,000.00 to the Issuer.
7. On December 29, 2023, an Order Taxing Costs was entered taxing costs in favor of Nosirrah in the amount of \$8,624.94.
8. On February 16, 2024, an order was entered (the "February 16 Order") granting an award of prejudgment interest in the amount of \$284,712.42, post-judgment interest at the rate of 5.44%, and awarding Sterlington attorneys' fees to be paid by Issuer of \$520,000.00, plus expenses in the amount of \$26,838.84.
9. Kim timely appealed, among other items, the Judgment, the Order Taxing Costs, and the February 16 Order (the "Appeal") to the United States Court of Appeals for the Ninth Circuit.
10. The parties desire to compromise and settle this matter in lieu of further proceedings.

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NOW, THEREFORE, in consideration of the recitals and the mutual representations, releases, and covenants made herein, the sufficiency of which the parties hereby acknowledge, the parties agree as follows:

**ARTICLE 1
NO ADMISSION OF LIABILITY**

Neither this Agreement nor any statement in it or action taken pursuant to it shall be considered as an admission by any party of any wrongful acts by or against, or liability to, any other party; and each party specifically disclaims any such wrongful acts and liability.

**ARTICLE 2
PAYMENTS AND OTHER ACTIONS**

2.01. Effective Date of this Agreement

The Effective Date of this Agreement shall be the date on which the Issuer and Kim sign the Agreement which shall occur no later than three (3) days after Nosirrah and Sterlington sign the Agreement.

2.02. Payment by Kim

Within fourteen (14) days of the Effective Date, Kim shall pay to Issuer \$1,000,000.00.

2.03. Payment by Issuer to Sterlington

Within seven (7) days of Issuer's receipt of the payment described in Section 2.01 (or within seven (7) days of receipt of a completed Form W-9 from Sterlington), Issuer shall pay to Sterlington, in accordance with wire instructions submitted to Issuer by Sterlington, \$550,000.00.

2.04. Dismissal of the Appeal

Within fourteen (14) days of the Effective Date, Kim shall file a motion to dismiss the Appeal with prejudice. Neither failure for Kim to effect such dismissal nor failure of a court to recognize such dismissal shall affect or impair the obligations under Sections 2.01 and 2.02 or any other Sections of this Agreement.

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ARTICLE 3
RELEASES

3.01. Release of Kim by Issuer

Subject to Sections 3.04 and 3.05, Issuer, to the fullest extent permitted by law, releases Kim and Kim's Related Parties (collectively the "Released Persons"), from any and all claims, rights, causes of action, suits, obligations, damages, and liabilities, known or unknown, in law or in equity, for disgorgements, indemnity, contribution, or otherwise arising under Section 16, including the Judgment, the Order Taxing Costs, and the February 16 Order.

3.02. Release of Issuer and Kim by Nosirrah and Sterlington

Subject to Sections 3.03 and 3.04, upon Issuer's payment of the amount specified in Section 2.02 and the dismissal of the Appeal as specified in Section 2.03, each of Nosirrah and Sterlington, on behalf of itself and its Related Parties that it controls or that may have any claim derived from its rights, shall, to the fullest extent permitted by law, release Issuer, Issuer's Related Parties, Kim, and Kim's Related Parties from any and all claims, rights, causes of action, suits, obligations, and liabilities, whether known or unknown and whether in law or in equity, for damages, disgorgements, indemnity, contribution, or other relief, or, for any attorneys' fees or other expenses, which were brought or could have been brought in the Litigation (together with the claims described in Section 3.01, the "Claims").

3.03. Release of Nosirrah and Sterlington by Issuer and Kim

As of the Effective Date, Issuer, on behalf of itself and its Related Parties that it controls or that may have any claim derived from its rights, and Kim, on behalf of himself and his Related Parties that he controls or that may have any claim derived from his rights, shall, to the fullest extent permitted by law, release Nosirrah, Nosirrah's Related Parties, Sterlington, and Sterlington's Related Parties from any and all claims, rights, causes of action, suits, obligations, and liabilities, whether known or unknown and whether in law or in equity, for damages, disgorgements, indemnity, contribution, or other relief, or, for any attorneys' fees or other expenses, which were brought or could have been brought in the Litigation.

3.04. Waiver of California Civil Code Section 1542

The parties intend that the releases in Sections 3.01 and 3.02 shall be effective as a full and final accord and satisfaction of, and as a bar to, all claims, rights, causes of action, suits, obligations, damages and liabilities of any nature, character or kind whatsoever, that were or could have been asserted with respect to the matters released, whether or not now known or suspected, and the parties expressly waive any rights or benefits available to them under the provisions of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASING PARTY.

The parties acknowledge that they understand the language and effect of Section 1542 of the California Civil Code but, nevertheless, elect to release the other parties to the full extent described in this Agreement, and specifically waive any rights that they may otherwise have under Section 1542, and all provisions, rights and benefits conferred by any other law of any state or territory of the United States, or any principle of common law, which may be comparable or equivalent to California Civil Code Section 1542. This reference to Section 1542 of the California Civil Code shall not be construed as, nor is it intended to be, an indication that the Parties intend to have California law apply to this Agreement.

3.05. Limitation on Releases of Insider

Notwithstanding anything to the contrary in this Agreement, the releases provided in this Agreement shall not extend to or apply to any claim against Insider arising in whole or in part out of any transaction that has not been publicly disclosed in a filing with the Commission before the date of this Agreement.

ARTICLE 4
REPRESENTATIONS OF ALL PARTIES

4.01. Binding Agreement

Each party represents that this Agreement, when executed and delivered by such party, is a valid and binding obligation of that party, enforceable in accordance with its terms.

4.02. Voluntary Agreement

This Agreement is executed voluntarily and without duress or undue influence on the part or behalf of the parties hereto with the full intent of releasing the Claims set forth herein. Each party represents that he, she or it:

- a. Has retained, or has had the opportunity to retain, counsel in this matter;
- b. Together with counsel, has read and understands this Agreement;
- c. Understands the terms and consequences of this Agreement, the representations and covenants it has made in this Agreement, and of the releases it contains; and
- d. Is fully aware of the legal and binding effect of this Agreement.

4.03. Due Authorization

All parties represent that all appropriate action on their part necessary for the due and valid authorization, execution, delivery, and performance of this Agreement have been taken. Each of the individuals executing this Agreement on behalf of the parties hereto represents that he or she has all required authority to execute this Agreement in the capacity listed and has been duly authorized by the respective parties hereto.

COVENANTS AND REPRESENTATIONS OF ISSUER
AND SHAREHOLDERS

The parties make the following covenants and representations, subject to the performance by the other parties of their obligations under this Agreement.

5.01. Of Issuer

(a) Covenant Not to Sue

Issuer covenants that, except for any action to enforce the terms of this Agreement, it will not bring any legal action (whether by way of direct claim, counterclaim, cross-claim, or interpleader) against Kim or Kim's Related Parties based on any of the Claims Issuer has released in this Agreement.

(b) Non-Assignment

Issuer represents and warrants that it has not assigned or transferred, and that it will not assign or transfer, any interest in any Claims that Issuer has released in this Agreement.

5.02. Of Nosirrah and Sterlington

(a) Covenant Not to Sue

Each of Nosirrah and Sterlington covenants that, except for any action to enforce the terms of this Agreement, it will not bring any legal action (whether by way of direct claim, counterclaim, cross-claim, or interpleader) against Kim, Issuer, or their Related Parties based on any of the Claims that each Shareholder has released in this Agreement or for attorneys' fees with respect to any such Claims, *provided, however*, that nothing in this Agreement shall be construed in a manner that would constitute a violation by Sterlington or any of its lawyers of Rule 5.6(a)(2) of the New York Rules of Professional Conduct or any substantially similar rule in any other jurisdiction that applies to any of them.

(b) Non-Assignment

Each of Nosirrah and Sterlington represents and warrants that it has not assigned or transferred, and that it will not assign or transfer, any interest in any Claims that it may have against Kim, Issuer, or their Related Parties (including without limitation any potential right to an award of attorneys' fees and expenses).

ARTICLE 6
CONFIDENTIALITY

Each party agrees to keep confidential the terms and conditions of this Agreement and to take every reasonable precaution to prevent disclosure of any of the terms and conditions of this Agreement unless disclosure is required by law or is agreed to by the parties.

The parties may disclose the terms and conditions of the Agreement to their respective accountants, attorneys, or to a court in any court proceeding where it is relevant, and, in the case of Issuer, to its shareholders and to the public in any filing with the Commission in which it believes in good faith that disclosure is necessary. To the extent that any such information has come into the public domain (including by way of a court filing not under seal) or Issuer discloses such information to the public, the other parties will no longer be bound to keep such information confidential.

ARTICLE 7
DEFINITIONS

7.01. Commission

"Commission" means the Securities and Exchange Commission.

7.02. Exchange Act

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

7.03. Person

"Person" means any individual, corporation, general or limited partnership, joint venture, limited liability company, association, trust, or any other juridical person whether chartered in the United States or abroad.

7.04. Related Parties

"Related Parties" means, with respect to any Person, members of that Person's immediate family, domestic partner, any trust of which that Person is a settlor or beneficiary together with the trustee of any such trust, and that Person's present and former officers, directors, employees, members, managers, agents, attorneys, representatives, advisors, affiliates (as defined in Rule 12b-2 under the Exchange Act), associates (as defined in Rule 12b-2 under the Exchange Act), parents, principals, subsidiaries, general or limited partners or partnerships, investment advisory clients, controlling persons, heirs, executors, administrators, successors, and assigns.

7.05. Section 16

"Section 16" means Section 16 of the Exchange Act, codified at 15 U.S.C. § 78p, and the rules promulgated by the Commission thereunder.

8.01. Entire Agreement

This Agreement represents the entire agreement and understanding of the parties concerning its subject matter and supersedes and replaces all prior written or oral agreements and understandings among the parties concerning the subject matter of this Agreement.

8.02. Reasonableness

The parties expressly agree that the terms of this Agreement are fair, reasonable, and adequate to all of the parties and to Issuer's stockholders.

8.03. Counterparts

This Agreement may be executed by the parties in counterparts, each of which shall be considered an original, but all such counterparts shall together constitute one and the same document.

8.04. Further Assurances

Each party, without additional consideration, agrees to execute and deliver such other documents and to take other action reasonably necessary to effect and enforce the provisions of this Agreement.

8.05. Choice of Law

To the extent not inconsistent with any governing federal law or with any reference to other law in this Agreement, this Agreement shall in all respects be interpreted, enforced, and governed under and in accordance with the laws of the State of New York, without reference to the choice of law provisions thereof. All claims, disputes and other matters in question arising out of or relating to this Agreement, or the breach thereof, will be decided by proceedings instituted and litigated in a court of competent jurisdiction sitting in the State of New York.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

FRANKLIN WIRELESS CORP.

O.C. KIM

By: _____
Name:
Title:
Date:

Date:

NOSIRRAH MANAGEMENT, LLC

STERLINGTON, PLLC

By: _____
Name: Robert Kantowitz
Title: Authorized Signatory
Date:

By: _____
Name: Mari K. Bonthuis
Title: Authorized Signatory
Date:

Exhibit 10.10



September 11, 2024

OC Kim
c/o Franklin Wireless Corp.
3940 Ruffin Road
Suite C
San Diego, CA 92123

Re: Amendment No. 2 to Change of Control Agreement between Franklin Wireless Corp. and OC Kim, dated September 11, 2024

Dear Mr. Kim

This is to confirm that the term of the Change of Control Agreement between you and Franklin Wireless Corp., originally dated October 1, 2020 and amended on September 25 2023, is hereby extended through October 1, 2027.

Very Truly Yours,

Franklin Wireless Corp.

By: /s/ Gary Nelson

Gary Nelson
Chairman of the Board, Franklin Wireless Corp.

By: /s/ OC Kim

OC Kim
President, Franklin Wireless Corp.

3940 Ruffin Road Ste C San Diego, CA 92123 858-623-0000
www.franklinwireless.com

Exhibit 10.11



September 11, 2024

Yun J. ("David") Lee
c/o Franklin Wireless Corp.
3940 Ruffin Road
Suite C
San Diego, CA 92123

Re: Amendment No. 2 to Change of Control Agreement between Franklin Wireless Corp. and Yun J. ("David") Lee, dated September 11, 2024

Dear Mr. Lee

This is to confirm that the term of the Change of Control Agreement between you and Franklin Wireless Corp., originally dated October 1, 2020 and amended on September 25 2023, is hereby extended through October 1, 2027.

Very Truly Yours,

Franklin Wireless Corp.

By: /s/ Gary Nelson

Gary Nelson
Chairman of the Board, Franklin Wireless Corp.

By: /s/ David Lee

Yun J. ("David") Lee
SVP Sales, Franklin Wireless Corp.

3940 Ruffin Road Ste C San Diego, CA 92123 858-623-0000
www.franklinwireless.com

Exhibit 10.12



September 11, 2024

OC Kim
c/o Franklin Wireless Corp.
3940 Ruffin Road
Suite C
San Diego, CA 92123

Re: Amendment No. 2 to Employment Agreement dated September 7, 2021 and amended November 10, 2022

Dear Mr. Kim

This is to confirm that the term of the Employment Agreement between you and Franklin Wireless Corp., originally dated September 7, 2021 and amended on November 10, 2022, is hereby extended through October 1, 2027.

Very Truly Yours,

Franklin Wireless Corp.

By: /s/ Gary Nelson

Gary Nelson
Chairman of the Board, Franklin Wireless Corp.

By: /s/ OC Kim

OC Kim
President, Franklin Wireless Corp.

3940 Ruffin Road Ste C San Diego, CA 92123 858-623-0000
www.franklinwireless.com

**Franklin Wireless Corp.
Forbearance Agreement**

THIS FORBEARANCE AGREEMENT is entered into as of the 23rd day of September, 2024, (the "Effective Date") by and between Franklin Wireless Corp., a Nevada corporation (the "Company") and OC Kim ("Kim"), with reference to the following facts:

RECITALS:

- A. Kim is the Chief Executive Officer and a member of the Board of Directors of the Company;
- B. By resolution dated April 5, 2024, the Board of Directors of the company awarded Kim a bonus of \$1,250,000 (the "Bonus");
- C. Pursuant to a Settlement Agreement dated June 12, 2024, Kim agreed to pay the Company \$1,000,000 (the "Settlement Amount");
- D. Due to the pendency of these claims, Kim and the Company have agreed to forbear from enforcing rights against each other, pending final resolution of the matters.

NOW, THEREFORE, in consideration of the mutual covenants, warranties and representations contained herein, the parties hereby agree as follows:

1. Forbearance By Kim. Kim agrees to forbear from attempting to collect any portion of the Bonus or enforcing its rights and remedies to collect the Bonus between the Effective Date and the first anniversary of the Effective Date (the "Forbearance Period.") Without limiting the generality of the foregoing, during the Forbearance Period Kim will not (a) initiate proceedings for the collection of the Bonus; (b) file or join in filing an involuntary petition in bankruptcy with respect to the Company or (c) otherwise initiate or participate in similar insolvency reorganization or moratorium proceedings.

2 Forbearance By the Company. The Company agrees to forbear from attempting to collect any portion of the Settlement Amount or enforcing its rights and remedies to collect the Settlement Amount at any time during the Forbearance Period. Without limiting the generality of the foregoing, during the Forbearance Period the Company will not (a) initiate proceedings for the collection of the Settlement Agreement; (b) file or join in filing an involuntary petition in bankruptcy with respect to Kim, or (c) otherwise initiate or participate in similar insolvency reorganization or moratorium proceedings.

3. Representations and Warranties. The Company and Kim hereby represent and warrant to each other as follows:

(a) **Recitals.** The Recitals in this Agreement are true and correct in all respects.

(b) **Power, Authorization, and Enforceability.** Each party has the power, and has been duly authorized by all requisite action, to execute and deliver this Agreement and to perform his or its obligations hereunder. This Agreement has been duly executed and delivered by both parties and is the legal, valid, and binding obligation of each party, enforceable against them in accordance with its terms.

(c) **Violation of Agreements.** The consummation of the transactions contemplated by this Agreement, and the performance of the provisions hereof, will not result in any material breach or constitute a material default under any instrument, agreement, or arrangement to which Kim or the Company is a party or may be bound or by which they may be affected.

4. General

4.1 Entire Agreement. This Agreement, and all exhibits hereto, along with any other documents or agreements expressly referred to herein, constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all previous agreements between the parties with respect to the subject matter hereof. There are no agreements, representations or warranties between or among the parties other than those set forth in this Agreement or in the documents or agreements referred to herein.

4.2 Amendments. No amendment, modification, or supplement to this Agreement shall be binding on any of the parties unless it is in writing and signed by the parties in interest at the time of the modification.

4.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. The exchange of fully executed signature pages to this Agreement (in counterparts or otherwise) by electronic transmission in portable document format (PDF) or similar format shall be sufficient to bind the parties to the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

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, thereunto duly authorized.

Franklin Wireless Corp.

By: /s/ Gary Nelson
Gary Nelson

/s/ OC Kim
OC Kim

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the inclusion in this Form 10-K of Franklin Wireless Corp. (the "Company"), to be filed on or about September 30, 2024, of our report dated September 28, 2023, with respect to our audit of the Company's consolidated financial statements as of June 30, 2023, and 2022 and for the years then ended.

/s/ Kreit and Chiu CPA LLP, (formerly as "Paris, Kreit, and Chiu CPA LLP").

New York, NY
September 30, 2024



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Franklin Wireless Corp.

We hereby consent to the incorporation by reference of our report dated September 30, 2024, in the Registration Statement on Form 10-K relating to the consolidated financial statements of Franklin Wireless Corp. as of and for the year ended June 30, 2024.

Simon & Edward, LLP

Rowland Heights, California

September 30, 2024

CERTIFICATION

I, OC Kim, certify that:

1. I have reviewed this Annual Report on Form 10-K of Franklin Wireless Corp.
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.
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;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - 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;
 - 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;
 - 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
 - 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.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - 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 registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 30, 2024

/s/ OC Kim
OC Kim
President
(Principal Executive Officer)

CERTIFICATION

I, Bill Bauer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Franklin Wireless Corp.

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.

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;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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;

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;

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

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.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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 registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 30, 2024

/s/ Bill Bauer

Bill Bauer

Acting Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Franklin Wireless Corp. (the "*Company*") on Form 10-K for the fiscal year ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, OC Kim, President of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 30, 2024

/s/ OC Kim

OC Kim

President

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Franklin Wireless Corp. (the "*Company*") on Form 10-K for the fiscal year ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Bill Bauer, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 30, 2024

/s/ Bill Bauer

Bill Bauer

Acting Chief Financial Officer

(Principal Financial Officer)

Franklin Wireless Corp.

Mandatory Recoupment Policy

1. Introduction. The Compensation Committee (the "Committee") and the Board of Directors (the "Board") of Franklin Wireless Corp. (the "Company") believe that it is in the best interests of the Company and its shareholders to adopt this Mandatory Recoupment Policy (this "Policy"). This Policy is intended to comply with (a) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Exchange Act, and implemented by Rule 10D-1 thereunder adopted by the SEC and (b) Nasdaq Listing Rule 5608.

2. Definitions. For purposes of this Policy, the following definitions shall apply:

a. "Covered Person" means the persons designated as "Officers" for purposes of Section 16 of the Exchange Act, and the rules and regulations promulgated thereunder at any time during the Lookback Period.

b. "Effective Date" means the date this Policy is adopted by the Board.

c. "Erroneously Awarded Incentive-Based Compensation" means the amount (if any), calculated on a pre-tax basis, by which (i) the Incentive-Based Compensation received by a Covered Person (after such individual became an "Officer" for purposes of Section 16 of the Exchange Act) exceeds (ii) the amount that would have been received by such Covered Person if calculated based upon the applicable Financial Reporting Measures had the errors corrected by a Financial Restatement not been made. In instances where the amount of Erroneously Awarded Incentive-Based Compensation is not subject to mathematical recalculation directly from the information in such Financial Restatement, the amount of Erroneously Awarded Incentive-Based Compensation shall be based on the Company's reasonable estimate of the effect of the Financial Restatement on the applicable Financial Reporting Measure (documentation of which the Company shall provide to the NYSE). In the event of Erroneously Awarded Incentive-Based Compensation in the form of equity awards, if such equity is still held by the Covered Person at the time of recoupment, the Erroneously Awarded Incentive-Based Compensation shall be the number of shares (or shares underlying the applicable award) received in excess of the number that should have been received applying the restated Financial Reporting Measure, in each case calculated on a pre-tax basis.

d. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

e. "Financial Reporting Measure" means a measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and includes any measures derived wholly or in part from such measure, and also includes stock price and measures of shareholder return. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

f. "Financial Restatement" means an accounting restatement (i) due to material noncompliance of the Company with any financial reporting requirement under applicable securities laws, including any required restatement to correct an error in previously issued financial statements that is material to such previously issued financial statements, or (ii) that would result in a material misstatement if the error were either corrected or left uncorrected in the current period. For the avoidance of doubt, "Financial Restatement" does not include any accounting restatement due to retrospective application of changes in accounting rules or standards, or retrospective revisions or reclassifications made to reflect a change in the structure or operations of the Company.

g. "Incentive-Based Compensation" means any compensation granted, earned or vested based wholly or in part upon the attainment of any Financial Reporting Measure including, without limitation, any such (i) cash bonus awarded under the Company's annual short-term incentive plan and (ii) equity-based award granted pursuant to the Company's longterm incentive plans. Incentive-Based Compensation is deemed received by the Covered Person in the fiscal year to which the attainment of such Financial Reporting Measure is attributed, irrespective of whether such Incentive-Based Compensation is subject to additional time or nonfinancial performance vesting conditions.

1

For the avoidance of doubt, Incentive-Based Compensation does not include (I) base salary, (II) amounts paid solely at a Board or Board Committee's discretion and which amounts are not paid from a "bonus pool" determined by the satisfaction of a Financial Reporting Measure or (III) amounts, non-equity incentive plan awards or equity awards that, in each case, are subject only to time-based vesting conditions and/or satisfying one or more subjective, strategic or operational measures that are not Financial Reporting Measures.

h. "Lookback Period" means the three (3) completed fiscal years immediately preceding the Restatement Date.

i. "Restatement Date" means (i) the date the Board concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

j. "SEC" means the United States Securities and Exchange Commission.

3. Recoupment Due to Financial Restatement.

a. Subject to Section 3(b) below, in the event of a Financial Restatement, the Company shall recoup from a Covered Person Erroneously Awarded Incentive-Based Compensation received during the Lookback Period.

b. The Company shall so recoup Erroneously Awarded Incentive-Based Compensation unless the Board determines such recoupment would be impracticable because: (i) the direct cost of recoupment would exceed the amount of recoupment and the Company has made a reasonable attempt to recoup (documentation of which the Company shall provide to NASDAQ upon request) (ii) the recoupment would violate a home country law that existed prior to November 28, 2022 (as determined pursuant to an opinion of home country counsel acceptable to NASDAQ), or (iii) recoupment would likely cause an otherwise tax-qualified Company retirement plan to fail to meet the requirements of the Internal Revenue Code.

c. For the avoidance of doubt, any right of recoupment under Section 3(a) of this Policy is in addition to, and not in lieu of, any recoupment required by any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

4. Administration; Method of Recoupment.

a. This Policy shall be administered by the Board or, if so delegated by the Board, the Committee or other committee of independent

directors of the Board. The Board may at any time amend, alter, suspend or terminate this Policy. The Board has the sole discretion to interpret the terms of this Policy and make determinations under it, and any action taken by the Board pursuant to this Policy shall be within the absolute discretion of the Board. Any interpretations or determinations made by the Board shall be final and binding on all affected individuals.

b. Subject to applicable law, if the Board determines to seek recoupment pursuant to this Policy, it shall make a written demand for recoupment from the Covered Person and, if such Covered Person does not reasonably promptly tender repayment in response to such demand or make other arrangements for such repayment that are acceptable to the Board, and the Board determines that such Covered Person is unlikely to do so, the Board may seek a court order against such Covered Person for such repayment, or seek to recoup the amount sought in any other manner consistent with applicable law, including but not limited to cancelling prior awards, whether vested or unvested, or paid or unpaid, or cancelling or setting-off against planned future grants.

c. The Company shall not provide insurance or indemnification to any Covered Person for the loss of Erroneously Awarded Incentive-Based Compensation.

5. Acknowledgment by Covered Persons. The Company shall provide notice and obtain written acknowledgement of this Policy from each Covered Person substantially in the form attached hereto as Exhibit A, as soon as practicable after the date on which such person is appointed as a Covered Person, providing that the Company may recoup amounts as and according to the terms and conditions provided herein; provided, however, that obtaining such acknowledgment is not a prerequisite to the Board's authority to enforce this Policy.

6. Effective Date. This Policy shall be effective as of the Effective Date.

Exhibit A

Franklin Wireless Corp.

Mandatory Recoupment Policy

Covered Person Acknowledgment

I hereby certify and acknowledge that:

1. I have received and read the Franklin Wireless Corp. Mandatory Recoupment Policy (the "Policy"), and understand the terms thereof; and
2. I agree that the Company may recoup, and I agree to repay, amounts as and according to the terms and conditions provided in the Policy, whether under any compensation plan, award, agreement, employment agreement, communication or any other plan, policy or agreement of the Company (collectively, "Incentive Compensation Agreements") including amounts already awarded, granted, earned, vested or paid, notwithstanding any contrary provisions of such Incentive Compensation Agreements.

3. For the avoidance of doubt, any recoupment effected under the Policy shall not, in and of itself, constitute grounds to terminate my employment for "Good Reason" (or any term of similar meaning) under any Incentive Compensation Agreement.

Signature: _____

Print Name: _____

Date: _____