

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2024

OR

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

For the transition period \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-13810

**SOCKET MOBILE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of incorporation)

**94-3155066**

(IRS Employer Identification No.)

**40675 Encyclopedia, Fremont, CA 94538**

(Address of principal executive offices including zip code)

**(510) 933-3000**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 Par Value per Share	SCKT	NASDAQ

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 such files). YES  NO

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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.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares of Common Stock (\$0.001 par value) outstanding as of May 9, 2024 was 7,546,938 shares.

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### **PART I**

#### **Item 1. Financial Statements**

**SOCKET MOBILE, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended March 31, 2024	2023
Revenues	\$ 4,977,797	\$ 4,312,178

Cost of revenues	2,473,040	2,239,691
Gross profit	2,504,757	2,072,487
Operating expenses:		
Research and development	1,208,082	1,247,119
Sales and marketing	1,031,271	1,006,792
General and administrative	750,579	773,988
Total operating expenses	2,989,932	3,027,899
Operating loss	(485,175)	(955,412)
Interest expense, net	(72,240)	(38,008)
Net loss before income taxes	(557,415)	(993,420)
Income tax expense	—	—
Net loss	\$ (557,415)	\$ (993,420)
Net loss per share:		
Basic	\$ (0.07)	\$ (0.12)
Diluted	\$ (0.07)	\$ (0.12)
Weighted average shares outstanding:		
Basic	7,441,745	7,106,746
Diluted	7,441,745	7,106,746

See accompanying notes to condensed financial statements.

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### SOCKET MOBILE, INC. CONDENSED BALANCE SHEETS

	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,771,848	\$ 2,826,630
Accounts receivable, net	2,073,041	1,699,696
Inventories, net	5,413,426	5,409,047
Prepaid expenses and other current assets	380,208	440,730
Deferred cost on shipments to distributors	362,914	322,580
Total current assets	11,001,437	10,698,683
Property and equipment:		
Machinery and office equipment	2,669,429	2,700,759
Computer equipment	3,646,916	3,631,945
	6,316,345	6,332,704
Accumulated depreciation	(3,519,975)	(3,299,503)
Property and equipment, net	2,796,370	3,033,201
Intangible assets, net	1,527,545	1,559,369
Other long-term assets	248,714	249,715
Deferred tax assets	10,112,419	10,112,419
Operating lease right-of-use asset	2,975,526	3,088,087
Total assets	\$ 28,662,011	\$ 28,741,474

### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 1,749,116	\$ 1,605,231
Accrued payroll and related expenses	636,464	579,974
Deferred revenue on shipments to distributors	911,630	825,670
Short term portion of deferred service revenue	19,767	19,885
Subordinated convertible notes payable, net of discount	150,000	150,000
Subordinated convertible notes payable, net of discount-related party	2,837,326	2,835,864
Operating lease – current portion	494,390	483,161
Total current liabilities	6,798,693	6,499,785
Long-term portion of deferred service revenue	13,945	12,813
Long-term portion of operating lease	2,690,334	2,808,872
Total liabilities	9,502,972	9,321,470
Commitments and contingencies	—	—
Stockholders' equity:	—	—
Common stock, \$0.001 par value: Authorized – 20,000,000 shares, Issued 7,906,577 and outstanding 7,547,327 at March 31, 2024; Issued 7,695,371 and outstanding 7,336,121 at December 31, 2023	7,547	7,336
Additional paid-in capital	68,679,469	68,383,230
Treasury stock	(1,037,988)	(1,037,988)
Accumulated deficit	(48,489,989)	(47,932,574)
Total stockholders' equity	19,159,039	19,420,004
Total liabilities and stockholders' equity	\$ 28,662,011	\$ 28,741,474

See accompanying notes to condensed financial statements.

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### SOCKET MOBILE, INC. CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional Paid-In Capital		Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2023	7,336,121	\$ 7,336	\$68,383,230		359,250	\$ (1,037,988)	\$ (47,932,574)	\$19,420,004
Vesting of restricted stocks	186,206	186	(186)		—	—	—	—
Restricted stock retired for tax withholding	—	—	—		—	—	—	—
Exercise of stock option	25,000	25	23,725		—	—	—	23,750
Stock-based compensation	—	—	272,700		—	—	—	272,700
Treasury shares purchased	—	—	—		—	—	—	—
Net loss	—	—	—		—	—	(557,415)	(557,415)
Balance at March 31, 2024	7,547,327	\$ 7,547	\$68,679,469		359,250	\$ (1,037,988)	\$ (48,489,989)	\$19,159,039

### SOCKET MOBILE, INC. CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional Paid-In Capital		Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2022	7,089,676	\$ 7,090	\$67,157,650		266,291	\$ (829,563)	\$ (46,013,420)	\$20,321,757
Vesting of restricted stocks	147,972	148	(148)		—	—	—	—
Restricted stock retired for tax withholding	(53,647)	(54)	54		—	—	—	—
Exercise of stock option	38,909	39	33,666		—	—	—	33,705
Stock-based compensation	—	—	295,833		—	—	—	295,833
Treasury shares purchased	(92,959)	(93)	93	92,959	(208,425)	—	—	(208,425)
Net loss	—	—	—	—	—	—	(993,420)	(993,420)
Balance at March 31, 2023	7,129,951	\$ 7,130	\$67,487,148		359,250	\$ (1,037,988)	\$ (47,006,840)	\$19,449,450

See accompanying notes to condensed financial statements.

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**SOCKET MOBILE, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Uaudited)

	Three Months Ended March 31,	
	2024	2023
<b>Operating activities</b>		
Net loss	\$ (557,415)	\$ (993,420)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock-based compensation	272,700	295,833
Depreciation and amortization	252,298	200,189
Amortization of debt discount	1,462	8,273
Amortization of operating lease ROU asset	120,792	115,832
Changes in operating assets and liabilities:		
Accounts receivable	(373,345)	165,148
Inventories	(4,379)	(58,239)
Prepaid expenses and other current assets	60,522	60,836
Other assets	1,000	—
Accounts payable and accrued expenses	143,885	515,883
Accrued payroll and related expenses	56,490	(144,040)
Net deferred revenue on shipments to distributors	45,626	45,793
Deferred service revenue	1,014	(367)
Net change in operating lease liability	(115,540)	(106,056)
Net cash (used in) provided by operating activities	<u>(94,890)</u>	<u>105,665</u>
<b>Investing activities</b>		
Purchases of equipment and intangible assets	(56,442)	(466,106)
Proceeds from tenant improvements allowance	72,800	—
Net cash provided by (used in) investing activities	<u>16,358</u>	<u>(466,106)</u>
<b>Financing activities</b>		
Common stocks repurchased and related expenses	—	(208,425)
Repayments of note payable	—	(125,000)
Proceeds from stock options exercised	23,750	33,705
Net cash provided by (used in) financing activities	<u>23,750</u>	<u>(299,720)</u>
Net decrease in cash and cash equivalents	(54,782)	(660,161)
Cash and cash equivalents at beginning of period	2,826,630	3,623,469
Cash and cash equivalents at end of period	<u>\$ 2,771,848</u>	<u>\$ 2,963,308</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 104,795	\$ 36,030
<b>Supplemental disclosure of non-cash activities</b>		
Property acquired under operating lease	\$ 8,230	\$ —

See accompanying notes to condensed financial statements.

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Uaudited)  
March 31, 2024

**NOTE 1—Basis of Presentation**

The accompanying unaudited condensed financial statements of Socket Mobile, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future period. These financial statements should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

## **NOTE 2 — Summary of Significant Accounting Policies**

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, and such differences may be material to the financial statements.

### *Cash Equivalents and Fair Value of Financial Instruments*

The Company considers all highly liquid investments purchased with a maturity date of 90 days or less at date of purchase to be cash equivalents. In response to recent volatility in the financial markets in March 2023, the Company entered into an Insured Cash Sweep ("ICS") Deposit Placement Agreement with IntraFi Network LLC facilitated by its bank, Bridge Bank - a division of Western Alliance Bank. The ICS program provides the Company's demand or savings products with access to unlimited FDIC insurance, which helps the Company to keep the full amount of the deposit on its balance sheet and provides additional security during times of market uncertainty. As of March 31, 2024, and December 31, 2023, all of the Company's cash and cash equivalents consisted of amounts held in demand deposit accounts in banks. The Company has never experienced any losses in such accounts.

The carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable, and debt approximate fair value due to the relatively short period of time to maturity.

### *Revenue Recognition and Deferred Revenue*

With the adoption of ASC 606 "Revenue from Contracts with Customers" in 2017, the Company recognizes revenue on sales to distributors when shipping of product is completed and title transfers to distributor, less a reserve for estimated product returns (sales and cost of sales). The reserves are based on estimates of future returns calculated from actual return history, primarily from stock rotations, plus knowledge of pending returns outside of the norm. On March 31, 2024, the deferred revenue and deferred cost on shipments to distributors were \$911,630 and \$362,914, respectively, compared to \$825,670 and \$322,580, respectively, on December 31, 2023.

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### **SOCKET MOBILE, INC. NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited) March 31, 2024**

The Company also earns revenue from its SocketCare extended warranty program, which provides extended warranty and accidental breakage coverage for selected products. Customers can purchase a SocketCare warranty at the time of product purchase, which provides coverage for a three-year or a five-year term. Revenues from SocketCare services are recognized ratably over the life of the extended warranty contract. For the quarters ended March 31, 2024 and 2023, SocketCare revenue was approximately \$5,100 and \$5,600, respectively. The amount of unrecognized SocketCare service revenue is classified as deferred service revenue and presented on the Company's balance sheet in its short- and long-term components. On March 31, 2024, the balance of unrecognized SocketCare service revenue was approximately \$33,700, compared to \$32,700 as of December 31, 2023.

### *Cost of Sales and Gross Margins*

Cost of sales primarily consists of the costs to manufacture our products, including the costs of materials, contract manufacturing, shipping costs, personnel and related expenses including stock-based compensation, equipment and facility expenses, warranty costs and inventory excess and obsolete provisions. The factors that affect our gross margins are the cost of materials, the mix of products and the extent to which we are able to efficiently utilize our manufacturing capacity.

### *Leases*

On February 1, 2022, the Company entered into a building lease agreement for its corporate headquarters located in Fremont, CA. On March 31, 2024, the balances of right-of-use assets and liabilities for the operating lease were \$2,975,526 and \$3,184,724, respectively, compared to \$3,088,087 and \$3,292,033, respectively, on December 31, 2023.

#### *Recently Issued Financial Accounting Standards*

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

#### **NOTE 3 — Intangible Assets**

In 2021, the Company entered into the Technology Transfer Agreement with SpringCard SAS. The Unaudited Condensed Balance Sheets include the intangible assets of the acquired technology at the carrying amount, net of amortization of \$1,527,545 as of March 31, 2024.

The intangible assets are amortized on a straight-line basis over their estimated useful lives of fifteen years, beginning on April 1, 2021. As of March 31, 2024, the estimated future amortization of these intangible assets is as follows:

Fiscal Year	Amount
2024 (April 1, 2024 to December 31, 2024)	\$ 95,472
2025	127,296
2026	127,296
2027	127,296
2028	127,296
Thereafter	922,889
	<hr/>
	\$ 1,527,545

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
March 31, 2024

The amortization expense was \$31,824 for the three months ended March 31st in both 2024 and 2023.

#### **NOTE 4 — Inventories**

Inventories consist principally of raw materials and sub-assemblies, which are stated at the lower of cost (first-in, first-out) or market. Inventories on March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024	December 31, 2023
Raw materials and sub-assemblies	\$ 6,058,394	\$ 5,839,176
Finished goods	315,975	500,814
Inventory reserves	(960,943)	(930,943)
Inventory, net	<u>\$ 5,413,426</u>	<u>\$ 5,409,047</u>

#### **NOTE 5 — Bank Financing Arrangements**

The Company initially entered into a Business Financing Agreement with Western Alliance Bank (the "Bank"), an Arizona corporation, on February 27, 2014, and this agreement has been amended and extended through the years.

##### *Second Business Financing Modification Agreement and Waiver of Defaults*

On January 25, 2023, the Company entered into the Second Business Financing Modification Agreement and Waiver of Defaults with the Bank which extended the maturity date of the Company's revolving lines of credit to January 31, 2025.

##### *Third Business Financing Modification Agreement and Waiver of Defaults*

On May 26, 2023, the Company entered into the Third Business Financing Modification Agreement, Waiver of Defaults and Consent with the Bank. Under the terms of the agreement, the Bank agreed to waive the default resulting from the Company's failure to meet the minimum adjusted EBITDA requirement in the quarter ended March 31, 2023. Additionally, the Bank granted its consent for the issuance of additional subordinated debt in May 2023.

##### *Waiver of Defaults*

On October 30, 2023, the Company entered into the Waiver of Default with the Bank. As part of the agreement, the bank

waived the default resulting from the Company's failure to meet the minimum adjusted EBITDA requirement in the quarter ended September 30, 2023.

#### *Waiver of Defaults*

On October 30, 2023, the Company entered into the Waiver of Default with the Bank. As part of the agreement, the bank waived the default resulting from the Company's failure to meet the minimum adjusted EBITDA requirement in the quarter ended September 30, 2023.

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
March 31, 2024

#### *Fourth Business Financing Modification Agreement and Waiver of Defaults*

On April 8, 2024, the Company entered into the Fourth Business Financing Modification Agreement and Waiver of Default with the Bank. Under the terms of the agreement, the Bank agreed to waive the default arising from the Company's failure to meet the minimum adjusted EBITDA requirement in the quarter ended December 31, 2023. Additionally, the Bank amended the Agreement to include minimum quarterly adjusted EBITDA for 2024 and decreased the advanced rate to up to 75% in the case of both domestic eligible receivables and EXIM eligible receivables.

Interest expense on the CalCap Loan for the three months ended March 31, 2023, amounted to \$1,138. The CalCap Loan balance of \$125,000 was paid off on February 1, 2023.

There were no amounts borrowed on the Company's bank credit lines as of March 31, 2024 and December 31, 2023.

#### **NOTE 6 — Secured Subordinated Convertible Notes Payable**

On August 31, 2020, the Company completed a secured subordinated convertible note financing of \$1,530,000, including \$1,350,000 from officers, directors, and family members. Because the Financing involved such parties related to the Company, a special committee of the Board comprising the Board's disinterested directors approved the Financing.

The funds raised are used to increase the Company's working capital balances. The notes have a three-year term that accrues interest at 10% per annum and mature on August 30, 2023. The interest on the notes is payable quarterly in cash. The holder of each note may require the Company to repay the principal amount of the note plus accrued interest at any time after August 31, 2021. The principal amount of each note is convertible at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$1.46 per share, which was the market closing price of the common stock on Friday, August 28, 2020, the closing date of the financing. The notes did not contain a beneficial conversion feature because the conversion price is higher than the market closing price on the date of the notes payable. The notes are secured by the assets of the Company and are subordinated to amounts outstanding under the Company's working capital bank line of credit with Western Alliance Bank. Total issuance costs associated with the financing are \$96,515, and the costs are presented on the balance sheet as a direct deduction from the notes payable balance of \$1,530,000 as a contra-liability. The issuance costs are amortized over three years, the term of the notes payable, and the amortization expense is reported as interest expense. In 2021, two noteholders elected to convert note principal of \$130,000 into shares of the Company's common. Therefore, the outstanding notes payment balance is \$1,400,000.

On November 16, 2022, the Company and the requisite holders of the outstanding notes entered into a Secured Subordinated Convertible Note Extension Agreement, extending the maturity date of the notes from August 30, 2023 to August 30, 2024. All other terms and conditions of the notes remain in full force and effect.

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
March 31, 2024

On May 1, 2024, the Company and the requisite holders of the outstanding notes entered into a Secured Subordinated Convertible Note Extension Agreement, extending the maturity date of the notes from August 30, 2024 to August 30, 2025. All other terms and conditions of the notes remain in full force and effect.

The amortization of debt discount was \$1,462 and \$8,273 for the quarter ended March 31, 2024 and 2023, respectively.

On May 26, 2023, the Company completed a secured subordinated convertible note financing of \$1,600,000. The proceeds from the Financing are used to increase the Company's working capital balances. The secured subordinated convertible notes have a three-year term and will mature on May 26, 2026. The interest rate on the Notes is 10% per year,

payable quarterly in cash. The holder of each Note may require the Company to repay the principal amount of the Note plus accrued interest at any time after May 26, 2024. The Notes are secured by the assets of the Company and are subordinated to the Company's debts with Western Alliance Bank, its senior lender. The principal amount of each Note is convertible at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$1.34 per share. Failure to pay the principal payment or any interest payment (with 5 days delinquency) when due are events of default under the Notes. The Company filed and caused to be declared effective pursuant to the Securities Act of 1933, as amended, in June 2023 a Registration Statement to provide for resales of the shares of Common Stock issuable upon conversion of the Notes.

Total interest expense recognized related to the convertible note was \$76,257 and \$42,793 for the three months ended March 31, 2024 and 2023, respectively.

## NOTE 7 — Segment Information and Concentrations

### Segment Information

The Company operates in the mobile barcode scanning and RFID/NFC data capture market. Mobile scanning typically consists of mobile devices such as smartphones or tablets, with mobile scanning or NFC peripherals for data collection, and third-party vertical applications software. The Company distributes its products in the United States and foreign countries primarily through distributors and resellers. The Company markets its products primarily through application developers whose applications are designed to work with the Company's products.

Revenues by geographic areas for the three months ended March 31, 2024 and 2023 were as follows:

Revenues:	Three Months Ended March 31,	
	2024	2023
United States	\$ 3,558,315	\$ 3,138,653
Europe	595,076	542,527
Asia and rest of world	824,406	630,998
Total revenues	<u>\$ 4,977,797</u>	<u>\$ 4,312,178</u>

Export revenues are attributable to countries based on the location of the Company's customers. The Company does not hold long-lived assets in foreign locations.

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### SOCKET MOBILE, INC. NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited) March 31, 2024

#### Major Customers

Customers who accounted for at least 10% of the Company's total revenues for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
BlueStar, Inc.	23%	20%
Ingram Micro, Inc.	16%	23%
Synnex Corporation	14%	-*
Nippon Primex, Inc.	13%	-*

\*Customer accounted for less than 10% of the Company's total revenue

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk include cash, cash equivalents and accounts receivable. The Company invests its cash in demand deposit accounts in banks and the Company has not experienced losses on the investments. The Company's trade accounts receivables are primarily with distributors. The Company performs ongoing credit evaluations of its customers' financial condition, but the Company generally requires no collateral. Reserves are maintained for potential credit losses, and such losses have been within management's expectations. Customers who accounted for at least 10% of the Company's accounts receivable balances on March 31, 2024 and December 31, 2023 were as follows:

	2024	2023
BlueStar, Inc.	23%	- *
Ingram Micro Inc.	20%	20%
Synnex Corporation	13%	14%
Nippon Primex, Inc.	12%	11%
ScanSource, Inc.	11%	13%

\* Customer accounted for less than 10% of the Company's accounts receivable balances

#### Concentration of Suppliers

Several of the Company's component parts are produced by a sole or limited number of suppliers. Shortages could occur in these essential materials due to increased demand, or due to an interruption of supply. Suppliers may choose to restrict credit terms or require advance payments causing delays in the procurement of essential materials. The Company's inability to procure certain materials could have a material adverse effect on the Company's results. For the three months ended March 31, 2024 and 2023, the top three suppliers accounted for 54% and 55%, respectively, of inventory purchases. As of March 31, 2024 and December 31, 2023, 28% and 40%, respectively, of the Company's accounts payable balances were concentrated with top three suppliers.

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
 (Unaudited)  
 March 31, 2024

#### NOTE 8 — Stock-Based Compensation

The Company recognizes the compensation cost in the financial statements for all stock-based awards to employees, including grants of stock options and restricted stock, based on the fair value of the awards as of the date that the awards are issued. Compensation cost for stock-based awards is recognized on a straight-line basis over the vesting period.

The fair values of stock options are generally determined using a binomial lattice valuation model which incorporates assumptions about expected volatility, risk-free interest rate, dividend yield, and expected life. There were no stock options granted for the three months ended March 31, 2024 and 2023.

The shares of restricted stock are issued to employees and consultants and are held in escrow by the Company until the shares vest on the schedule of 15% after year one, 20% after year two, 25% after year three and 40% after year four, subject to the employees and consultants being a continuing service provider on each of the vesting dates. If the service or employment is terminated, unvested shares revert to the Company. Shares are registered at grant, so share owners may vote at the annual stockholder meeting. Shares of restricted stock are granted at zero cost basis. Compensation cost of the restricted stock is recognized on a straight-line basis over the 4-year vesting period. For the three months ended March 31, 2024 and 2023, the Company awarded 442,750 and 402,370 shares of restricted stock, respectively. As of March 31, 2024, there were 1,127,208 shares of restricted stock outstanding. Due to the existence of restrictions on sale or transfer until the shares vest, the Company does not count the shares of restricted stock as issued and outstanding shares until they vest. In Q1 2024, 186,206 shares of restricted stock were issued to employees through vesting. Market value of the vested shares is subject to tax withholding.

Total stock-based compensation expenses for the three months ended March 31, 2024 and 2023, were \$272,700 and \$295,833, respectively.

#### NOTE 9 — Net Income Per Share

The following table sets forth the reconciliation of basic shares to diluted shares and the computation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss	\$ (557,415)	\$ (993,420)
Denominator: Weighted average shares outstanding used in computing net loss per share:		
Basic	7,441,745	7,106,746
Diluted	7,441,745	7,106,746
Net loss per share applicable to common stockholders:		

Basic	\$ (0.07)	\$ (0.12)
Diluted	<u>\$ (0.07)</u>	<u>\$ (0.12)</u>

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
March 31, 2024

In the three months ended March 31, 2024, the shares used in computing diluted net loss per share do not include 1,126,114 stock options, 50,000 warrants and 2,152,934 shares related to convertible notes payable as their effect would be anti-dilutive.

In the three months ended March 31, 2023, the shares used in computing diluted net loss per share do not include 1,262,027 stock options, 50,000 warrants and 958,904 shares related to convertible notes payable as their effect would be anti-dilutive.

**NOTE 10 — Income Taxes**

The Company did not record an income tax expense of in Q1 2024 and in Q1 2023.

**NOTE 11 — Commitments and Contingencies**

*Operating Lease Obligations*

On February 1, 2022, the Company commenced a lease agreement for approximately 35,913 square feet at 40675 Encyclopedia Circle in Fremont, California. This serves as the location for the Company's Corporate Headquarters, including office space and manufacturing. The Company pays a base monthly rent in the amount of \$50,278 commencing on the first day of the fourth full month of the lease term. Base monthly rent increases annually on May 1<sup>st</sup> of each year by 3%.

The Company accounted for the lease as an operating lease under ASC 842 using the bank loan interest rate in effect on May 1, 2022 at 5.0% to discount future lease payments. The lease term expires on July 31, 2029, with a one-time option to renew for a period of five years. The renewal period is not included in the measurement of the leases as the Company is not reasonably certain of exercising it.

In January 2024, the Company renewed its equipment operating lease agreement. The lease term expires on December 31, 2026. The Company accounted for the lease as an operating lease under ASC 842 using the bank loan interest rate in effect on January 1, 2024 at 9.25%.

The operating lease expense under the existing agreement was allocated in cost of goods sold and operating costs based on department headcount and amounted to \$161,682 and \$162,108 for the three-month periods ended March 31, 2024 and 2023, respectively.

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**SOCKET MOBILE, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
March 31, 2024

On March 31, 2024, the balances of right-of-use assets and liabilities for the operating lease were approximately \$2.98 million and \$3.18 million, respectively, compared to approximately \$3.09 million and \$3.29 million, respectively, on December 31, 2023.

Cash payments included in the measurement of the Company's operating lease liabilities were \$156,430 and \$153,181 for the three months ended March 31, 2024 and 2023, respectively.

Future minimum lease payments under the operating lease on March 31, 2024 are shown below:

Annual minimum payments:	Amount
2024 (April 1 through December 31, 2024)	481,718
2025	657,164
2026	676,751

2027	692,644
2028	713,423
2029	425,646
Total minimum payments	3,647,346
Less: Present value factor	(462,622)
Total operating lease liabilities	3,184,724
Less: Current portion of operating lease	(494,390)
Long-term portion of operating lease	\$ 2,690,334

#### *Purchase Commitments*

As of March 31, 2024, the Company has non-cancelable purchase commitments for inventory to be used in the ordinary course of business of approximately \$5,403,000.

#### *Legal Matters*

The Company is subject to disputes, claims, requests for indemnification and lawsuits arising in the ordinary course of business. Under the indemnification provisions of the Company's customer agreements, the Company routinely agrees to indemnify and defend its customers against infringement of any patent, trademark, copyright, trade secrets, or other intellectual property rights arising from customers' legal use of the Company's products or services. The exposure to the Company under these indemnification provisions is generally limited to the total amount paid for the indemnified products. However, certain indemnification provisions potentially expose the Company to losses in excess of the aggregate amount received from the customer. To date, there have been no claims against the Company by its customers pertaining to such indemnification provisions, and no amounts have been recorded. The Company is currently not a party to any material legal proceedings.

#### **NOTE 12 — Subsequent Events**

Other than the described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the unaudited condensed financial statements.

24,000 shares of restricted stock were granted from the 2004 Equity Incentive Plan.

#### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This Quarterly Report contains 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. These statements include statements forecasting our future financial condition and results, our future operating activities, market acceptance of our products, expectations for general market growth of mobile computing devices, growth in demand for our data capture products, expansion of the markets that we serve, expansion of the distribution channels for our products, and the timing of the introduction and availability of new products, as well as other forecasts discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Words such as "may," "will," "predicts," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements are based on current expectations, estimates and projections about our industry, and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Factors that could cause actual results and outcomes to differ materially include, but are not limited to: volatility in the world economy generally and in the markets we serve in particular, including the impact of Russia's military action against Ukraine; the risk of delays in the availability of our products due to technological, market or financial factors including the availability of product components and necessary working capital; our ability to successfully develop, introduce and market future products; our ability to effectively manage and contain our operating costs; the availability of third-party hardware and software that our products are intended to work with; product delays associated with new model introductions and product changeovers by the makers of products that our products are intended to work with; continued growth in demand for barcode scanners; market acceptance of emerging standards such as RFID/Near Field Communications and of our related data capture products; the ability of our strategic relationships to benefit our business as expected; our ability to enter into additional distribution relationships; and other factors described in this Form 10-Q including under "Risk Factors" and those discussed in other documents we filed with the Securities and Exchange Commission. We assume no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.*

*You should read the following discussion in conjunction with the interim condensed financial statements and notes included elsewhere in this report, the Company's annual financial statements included in its Annual Report on Form 10-K, and other information contained in other reports and documents filed from time to time with the Securities and Exchange*

## The Company and its Products

We are a leading provider of data capture and delivery solutions for enhanced productivity in workforce mobilization. Our products are incorporated into mobile applications used in point of sale (POS), commercial services (field workers), asset tracking, manufacturing process and quality control, transportation and logistics (goods tracking and movement), event management (ticketing, entry, access control, and identification), medical and education. Our primary products are cordless data capture devices incorporating barcode scanning or RFID/Near Field Communications (NFC) technologies that connect over Bluetooth. All products work with applications running on smartphones, mobile computers and tablets using operating systems from Apple® (iOS), Google™ (Android™) and Microsoft® (Windows®). We offer an easy-to-use software developer kit (CaptureSDK) to application providers, which enables them to provide their users with our advanced barcode scanning features. Our products are integrated in their application solutions and are marketed by the application providers or the resellers of their applications. The number of our registered application providers for data capture applications continues to grow.

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*XtremeScan family.* In August 2023, the Company made entry into the industrial barcode scanning market with the XtremeScan family. XtremeScan combines the versatility and user-friendliness of iPhones with the ruggedness and top-of-the-line protection required for extreme, industrial work environments. XtremeScan Case XC100 offers ultimate iPhone protection with its rugged outer shell and fully enclosed, rubberized shielding for maximum durability. It's the toughest iPhone case on the market, offering military-grade protection against drops, dirt, water, and even more unpredictable elements found in harsh industrial environments. XtremeScan XS930 & XS940 are built upon the XtremeScan Case and provide the same rugged iPhone protection, adding a high-performance Socket Mobile data reader. With both 1D (XS930) and powerful 1D/2D (XS940) options, these data readers can scan through various types of packaging materials under different lighting conditions. They provide the perfect solution for users who wish to utilize iPhones for data capture within rough, industrial settings. XtremeScan Grip XG930 & XG940 provides 1D or 1D/2D barcode scanning capabilities and builds even further on the XS by providing an added pistol grip handle. The ergonomic grip enables an easy point-and-shoot approach and comfort during extended scanning sessions.

*SocketCam family.* Our camera-based barcode scanning software includes SocketCam C820 and C860 for both iOS and Android. The C820 is a free, easily integrated camera scanning solution. The C860 offers a significant upgrade for users with advanced scanning needs. It stands out due to its swift and accurate reading of damaged barcodes, coupled with exceptional performance in poor lighting conditions, setting it apart from others in the industry. The C820 and C860 enable App providers to service a wide range of customers with various data capture requirements, from price-sensitive to performance-sensitive. End-users whose data capture requirements exceed the capabilities of the free camera-based scanners will have the choice of upgrading to an advanced camera-based scanner, C860, or purchase a Socket hardware scanner.

*DuraScan® Family.* Our DuraScan® family consists of 700 Series (D700, D720, D730, D740, D745, D755, D760) companion scanners, 800 Series (D800, D820, D840, D860) attachable scanners and Wearable (DW930, DW940), which are designed to be durable barcode scanners with IP54-rated outer casing to withstand tougher environments. The D720 is priced competitively with a 1D barcode scanner, making it the affordable 2D option available in the market. The D820 provides a basic and affordable option for those who wish to upgrade to 2D scanning. The D745 and D755 are medical-grade, universal scanners. The D760 and D860 include MRZ (machine-readable zone) support, making it capable of scanning passports, visas, and other travel documents. Additionally, the 800 Series scanners may be used as stand-alone devices as well.

DuraScan Wear DW930 & DW940 are the first wearable additions to the DuraScan Product Family, introducing a new era of innovative scanning technologies for the Company. The DW930 offers 1D laser scanning technology, while the DW940 provides powerful 1D/2D barcode scanning functionality. Their glove-like, wearable design allows workers to use both hands freely, enhancing speed and flexibility. This makes them perfect for scanning in industries such as warehousing, manufacturing, and distribution.

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*SocketScan family.* Our SocketScan family consists of the 700 Series (S700, S720, S730, S740) companion scanners and 800 Series (S800, S820, S840, S860) attachable scanners. The 700 Series are available in multiple vivid colors: blue, green, red, white, yellow and black. The S720 reads both 1D and 2D barcodes on paper and screen, serving as a drop-in replacement for our previously popular S700 model while also adding QR code functionality. The 800 Series comprises 1D linear imaging (S800) and 2D (S820, S840, S860), which can be easily clipped onto smartphones, tablets and other mobile devices using an easily detachable clip or DuraCase, creating a one-handed solution. The S860 includes MRZ (machine-readable zone) support, allowing it to scan passports, visas, and other travel documents in addition to barcodes. Additionally, the 800 Series scanners may be used as stand-alone devices as well.

***DuraSled Family.*** Our DuraSled (DS800, DS820, DS840, DS860) is a barcode scanning sled designed for durability. It combines a phone with a scanner to create a one-handed solution. DuraSled protects phones from impact damage and provides a robust charging solution for all environments. It is easy-to-use and ideal for delivery services, stock counting, ticketing and other App-driven mobile solutions. The DuraSled products are compatible with Apple and Samsung devices. The DS820 provides a basic and affordable option for those who wish to upgrade to 2D scanning.

***NFC & RFID Contactless Reader/Writer.*** The product line consists of the D600, S550 and S370. The D600 is an ergonomically handheld model with an IP54-rated outer casing that can read and write various types of electronic SmartTags or transfer data with near-field communication. The S550 is a contactless membership card reader/writer designed for tap-and-go smart card and Near Field Communication (“NFC”) applications. The S370 supports both barcode scanning and NFC reading and writing technologies. It provides App providers the ability to read both QR code-based and NFC-based credentials, enabling them to accept multiple formats with just one device. Additionally, the S370 can read credentials following ISO 18013-5, the Mobile Driver’s License (mDL) standard being adopted in some states and countries.

***Software Developer Kit (CaptureSDK).*** Our Software Developer Kit (CaptureSDK) supports all our data capture devices with a single integration, making it easier for App providers to integrate our data capture capabilities into their applications. With the installation of our data capture software, the App providers’ customers can choose any of our products that work best for them. Our CaptureSDK enables the App providers to modify captured data, control the placement of the barcoded or RFID data in their applications, and control the feedback to the user that the transaction and transmission were successfully completed. Our CaptureSDK also supports the built-in camera in a customer’s smartphone or tablet to be used for occasional or lower-volume data collection requirements. The CaptureSDK uses tools integrated with software building environments such as Swift Package Manager, Maven and NuGet, adds support for high-level frameworks such as MAUI, ReactNative, Java, JavaScript, and Flutter and adds other features to make it easier for App providers to integrate our data capture software into their applications.

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We design our own products and are responsible for all associated test equipment. We subcontract the manufacturing of all our product components to independent third-party contract manufacturers located in the United States, Mexico, Taiwan, Singapore, Malaysia and China that have the equipment, know-how and capacity to manufacture products to our specifications. We perform final product assembly, testing and packaging at, and distribute our products from, our Fremont, California facility. We offer our products worldwide through two-tier distribution enabling customers to purchase from large numbers of online resellers around the world including application providers who resell their own solutions along with our data capture products. Our products are also available on our online stores.

We believe growth in mobile applications and the mobile workforce resulting from technical advances in mobile technologies, cost reductions in mobile devices and the growing adoption by businesses of mobile applications for smartphones and tablets, builds a growing demand for our products. Our data capture products address the need for speed and accuracy by today’s mobile workers and by the systems supporting those workers, thereby enhancing their productivity and allowing them to exploit time-sensitive opportunities and improve customer satisfaction.

## **Results of Operations**

### Revenues

Total revenues for the first quarter of 2024 was approximately \$5.0 million, representing a 15% increase compared to the revenue of approximately \$4.3 million for the same quarter a year ago. Alongside the growth in our run rate business, we observed an increase in deployment business.

### Gross Margins

Our gross profit margins on sales reached 50.3% in Q1 2024, up from 48.1% in the same period a year ago. The margin increase was primarily due to the allocation of manufacturing overhead costs across higher production volumes.

### Research and Development Expense

In the first quarter of 2024, engineering expenses were approximately \$1,208,000, reflecting a 3% decrease compared to the approximately \$1,247,000 spent in Q1 2023, during which efforts were concentrated on developing new products.

### Sales and Marketing Expense

Sales and marketing expenses in the first quarter of 2024 were approximately \$1,031,000, marking a 2% increase compared to expenses of approximately \$1,007,000 in the same quarter a year ago. The rise was primarily attributed to increases in employee compensation.

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### General and Administrative Expense

In the first quarter of 2024, The Company incurred approximately \$751,000 in general and administrative expenses, representing a 3% decrease from the expense of approximately \$774,000 in the same quarter of 2023, during which there was a concentration on the cost of patent applications.

### Interest Expense, Net of Interest Income

Interest expense and other, net of interest income and other, was approximately \$72,000 in the first quarter of 2024 compared to \$38,000 in the first quarter of 2023. Interest expenses in the first quarter of both 2024 and 2023 were primarily related to interest on secured subordinated convertible notes payable (see “NOTE 6 — Secured Subordinated Convertible Notes Payable” for more information). There were no outstanding balances of credit lines during the first three months of 2024 or 2023.

Interest income reflects interest earned on cash balances. Interest income was nominal in each of the comparable first quarters, reflecting low average rates of return.

### Income Taxes

We recorded income tax expense of zero for the first quarter of 2024 and 2023, respectively. Our deferred tax asset, primarily representing future income tax savings from the application of net operating loss carry forwards, was valued at \$10,112,419 on March 31, 2024.

We have determined that utilization of existing net operating losses against future taxable income is not limited by Section 382 of the Internal Revenue Code. Future ownership changes, however, may limit our ability to fully utilize the existing net operating loss carryforwards against any future taxable income. We will continue to monitor the likelihood to realize the value of deferred tax assets in the future.

### **Liquidity and Capital Resources**

As reflected in our Condensed Statements of Cash Flows, we used net cash of \$94,890 from operating activities in the first quarter 2024, compared to net cash provided by operating activities of \$105,665 in the same period last year. To calculate our net cash (used in) provided by operating activities, we adjusted our net loss of \$557,415 in the first quarter of 2024 and net loss of \$993,420 in the first quarter of 2023 by adding back non-cash expenses such as stock-based compensation expense, depreciation and amortization, and deferred tax expenses and benefits, which amounted to \$647,252 and \$504,295 in the first quarters of 2024 and 2023, respectively. In addition, we analyze changes in operating assets and liabilities as a source or use of cash. In Q1 2024, changes in operating assets and liabilities used a net cash outflow of \$184,727, mainly due to increases in accounts receivable resulting from higher shipments. In the first quarter of 2023, changes in operating assets and liabilities provided a net cash inflow of \$478,958, mainly due to increases in accounts payable resulting from extended payment terms with vendors.

In the first quarters of 2024 and 2023, we invested \$56,442 and \$466,106, respectively, in leasehold improvements, computer software development costs, and manufacturing tooling costs. In Q1 2024, these investing activities were offset by proceeds from a tenant improvements allowance amounting to \$72,800.

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Net cash provided by financing activities for the three months ended March 31, 2024 was \$23,750, compared to net cash used in financing activities of \$299,720 in the comparable period a year ago. Financing activities in 2024 consisted of proceeds of employee stock options exercised. Financing activities in 2023 consisted primarily of common stock repurchased and the final repayment of our term loan, partially offset by the proceed of employee stock options exercised in the amount of \$33,705.

### **Critical Accounting Estimates**

Our significant accounting policies are described in “Note 2 - Summary of Significant Accounting Policies” in the notes to condensed financial statements. The application of these policies requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on a combination of historical experience and reasonable judgment applied to other facts. Actual results may differ from these estimates, and such differences may be material to the financial statements. In addition, the use of different assumptions or judgments may result in different estimates. We believe our critical accounting policies that are subject to these estimates are: Revenue Recognition and Accounts Receivable Reserves, Inventory Valuation, Stock-Based Compensation, Income Taxes and Valuation of Goodwill.

A complete description of our critical accounting policies and estimates is contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission.

## Contractual Obligations

Our contractual cash obligations on March 31, 2024 are outlined in the table below:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Unconditional purchase obligations with contract manufacturers	\$ 5,403,000	\$ 5,316,000	\$ 87,000	\$ —	\$ —
Operating lease	3,639,000	642,000	1,335,000	1,416,000	246,000
Total contractual obligations	<u>\$ 9,042,000</u>	<u>\$ 5,958,000</u>	<u>\$ 1,422,000</u>	<u>\$ 1,416,000</u>	<u>\$ 246,000</u>

## Off-Balance Sheet Arrangements

As of March 31, 2024, we had no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

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## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

### **Interest Rate Risk**

Our exposure to market risk for changes in interest rates relates primarily to our bank term loan and credit line facilities. Amounts outstanding under the term loan bear interest at the lender's prime rate (minimum of 4.25%) plus 0.75%. Our bank credit line facilities of up to \$3.5 million have variable interest rates based upon the lender's prime rate (minimum of 4.25%) plus 0.75%, for the \$1.0 million nonformula loan, revolving facility (up to \$2.0 million), and the EXIM Line of Credit (up to \$0.5 million). Accordingly, interest rate increases could increase our interest expense on outstanding term loan and credit line balances.

### **Foreign Currency Risk**

A substantial majority of our revenue, expense and purchasing activities are transacted in U.S. dollars. However, we require our European distributors to purchase our products in Euros and we pay the expenses of our European employees in Euros and British pounds. We may enter into selected future purchase commitments with foreign suppliers that may be paid in the local currency of the supplier. Based on a sensitivity analysis of our net foreign currency denominated assets at the end of the quarter ended March 31, 2024, an adverse change of 10% in exchange rates would have resulted in a decrease in our net income for the first quarter of 2024 of approximately \$31,300. For the first quarter of 2024, the actual net adjustment for the effects of changes in foreign currency on cash balances, collections, payables, and derivatives used to hedge foreign currency risks, was a net loss of approximately \$8,200. We will continue to monitor and assess our risks related to foreign currency fluctuations.

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## **Item 4. Controls and Procedures.**

### *Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures*

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in 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 Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **Item 1A. Risk Factors.**

*Ownership of the Company's securities involves a number of risks and uncertainties. Potential investors should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 10-K and our other public filings with the Securities and Exchange Commission before deciding whether to invest in the Company's securities. The Company's business, financial condition or results of operations could be materially adversely affected by any of these risks. The risks described below are not the only ones facing the Company. Additional risks that are currently unknown to the Company or that the Company currently considers immaterial may also impair its business or adversely affect its financial condition or results of operations.*

#### **A deterioration in global economic conditions may have adverse impacts on our business and financial condition in ways that we currently cannot predict and may limit our ability to raise additional funds.**

If global economic conditions deteriorate, it may impact our business and our financial condition. We may face significant challenges if conditions in the financial markets worsen. The impact of such future developments on our business, including the ongoing military action in Ukraine by Russia, is highly uncertain and cannot be predicted. If the overall economy continues to decline for an extended period, our results of operations, financial position and cash flows may be materially adversely affected. In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including impairing our ability to pursue potential opportunities and limiting our ability to raise additional capital when needed on acceptable terms, if at all.

#### **We may not return to profitability.**

To return to profitability, we must accomplish numerous objectives, including achieving continued growth in our business, providing ongoing support to registered App providers whose applications support the use of our data capture products, and developing successful new products. We cannot foresee with any certainty whether we will be able to achieve these objectives in the future. Accordingly, we may not generate sufficient revenue or control our expenses enough to maintain ongoing profitability. If we cannot return to profitability, we will not be able to support our operations from positive cash flows, and we would be required to use our existing cash to support operating losses. If we are unable to secure the necessary capital to replace that cash, we may need to suspend some or all of our current operations.

#### **We may require additional capital in the future, but that capital may not be available on reasonable terms, if at all, or on terms that would not cause substantial dilution to investors' stock holdings.**

We may need to raise capital to fund our growth or operating losses in future periods. Our forecasts are highly dependent on factors beyond our control, including market acceptance of our products and delays in deployments by businesses of applications that use our data capture products. Even if we maintain profitable operating levels, we may need to raise capital to provide sufficient working capital to fund our growth. If capital requirements vary materially from those currently planned, we may require additional capital sooner than expected. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at all.

**In order to maintain the availability of our bank lines of credit we must remain in compliance with the covenants as specified under the terms of the credit agreements and the bank may exercise discretion in making advances to us.**

Our credit agreements with our bank require us to remain in compliance with the covenants specified under the terms of the agreement. The agreements also contain customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, grant liens, make investments, incur indebtedness, merge or consolidate, dispose of assets, make acquisitions, pay dividends or make distributions, repurchase stock, enter into transactions with affiliates and enter into restrictive agreements, in each case subject to customary exceptions for a credit facility of this size and type. The agreements also contain customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, and breaches of representations and warranties. Upon an event of default, our bank may declare all or a portion of our outstanding obligations payable to be immediately due and payable and exercise other rights and remedies provided for under the agreement. During the existence of an event of default, interest on the obligations could be increased. The agreements may be terminated by us or by our bank at any time. Upon such termination, our bank would no longer make advances under the credit agreement and outstanding advances would be repaid as receivables are collected. All advances are at our bank's discretion and our bank is not obligated to make advances.

**If application providers are not successful in their efforts to develop, market and sell the applications into which our software and products are incorporated, we may not achieve our sales projections.**

We are dependent upon App providers to integrate our scanning and software products into their applications designed for mobile workers using smartphones, tablets and mobile computers, and to successfully market and sell those application products and solutions into the marketplace. We focus on serving the needs of App providers as sales of our data capture products are application driven. However, these providers may take considerable time to complete the development of their applications, may experience delays in their development timelines, may develop competing applications, may be unsuccessful in marketing and selling their application products and solutions to customers, or may experience delays in customer deployments and implementations, which would adversely affect our ability to achieve our revenue projections.

**Failure to maintain effective internal controls could have a material adverse effect on our business, operating results, and stock price.**

We have evaluated and will continue to evaluate our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires an annual management assessment of the design and effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented, or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition and access to assets, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

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**Despite security protections, our business records and information could be hacked by unauthorized personnel.**

We protect our business records and information from access by unauthorized personnel and are not aware of any instances where such data has been compromised. We maintain adequate segregation of duties in safeguarding our assets and related records and monitor our systems to detect any attempts to bypass our controls and procedures which we evaluate and update from time to time. We are aware that unauthorized efforts to access our business records and information with sophisticated tools could bypass our controls and procedures and we remain alert to that possibility.

**Deferred tax assets comprise a significant portion of our assets and are dependent upon future tax profitability to realize the benefits.**

We have recorded deferred tax assets on our balance sheet because we believe that it is more likely than not that we will generate sufficient tax profitability in the future to realize the tax savings that our deferred tax assets represent. If we do not achieve and maintain sufficient profitability, the tax savings represented by our deferred tax assets may never be realized and we would need to recognize a loss for those deferred tax assets.

**We may be unable to manufacture our products because we are dependent on a limited number of qualified suppliers for our components.**

Several of our component parts are produced by one or a limited number of suppliers. Shortages or delays could occur in these essential components due to an interruption of supply or increased demand in the industry. Suppliers may choose to restrict credit terms or require advance payment causing delays in the procurement of essential materials. If we are unable to procure certain component parts, we could be required to reduce our operations while we seek alternative sources for these components, which could have a material adverse effect on our financial results. To the extent that we acquire extra inventory stocks to protect against possible shortages, we would be exposed to additional risks associated with holding inventory, such as obsolescence, excess quantities, or loss.

**If we fail to develop and introduce new products rapidly and successfully, we will not be able to compete effectively, and our ability to generate sufficient revenues will be negatively affected.**

The market for our products is prone to rapidly changing technology, evolving industry standards and short product life cycles. If we are unsuccessful at developing and introducing new products and services on a timely basis that include the latest technologies, conform to the newest standards, and that are appealing to end users, we will not be able to compete effectively, and our ability to generate significant revenues will be seriously harmed.

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The development of new products and services can be very difficult and requires high levels of innovation. The development process is also lengthy and costly. Short product life cycles for smartphones and tablets expose our products to the risk of obsolescence and require frequent new product upgrades and introductions. We will be unable to introduce new products and services into the market on a timely basis and compete successfully if we fail to:

- invest significant resources in research and development, sales and marketing, and customer support;
- identify emerging trends, demands and standards in the field of mobile computing products;
- enhance our products by adding additional features;
- maintain superior or competitive performance in our products; and
- anticipate our end users' needs and technological trends accurately.

We cannot be sure that we will have sufficient resources to make adequate investments in research and development or that we will be able to identify trends or make the technological advances necessary to be competitive.

**We may not be able to collect receivables from customers who experience financial difficulties**

Our accounts receivable is derived primarily from distributors. We perform ongoing credit evaluations of our customers' financial conditions but generally require no collateral from our customers. Reserves are maintained for potential credit losses, and such losses have historically been within such reserves. However, many of our customers may be thinly capitalized and may be prone to failure in adverse market conditions. Although our collection history has been good, from time to time a customer may not pay us because of financial difficulty, bankruptcy or liquidation. If global financial conditions have an impact on our customer's ability to pay us in a timely manner, consequently, we may experience increased difficulty in collecting our accounts receivable, and we may have to increase our reserves in anticipation of increased uncollectible accounts.

**We could face increased competition in the future, which would adversely affect our financial performance.**

The market in which we operate is very competitive. Our future financial performance is contingent on a number of unpredictable factors, including that:

- some of our competitors have greater financial, marketing, and technical resources than we do;
- we periodically face intense price competition, particularly when our competitors have excess inventories and discount their prices to clear their inventories; and
- certain manufacturers of tablets and mobile phones offer products with built-in functions, such as Bluetooth wireless technology or barcode scanning, that compete with our products.

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Increased competition could result in price reductions, fewer customer orders, reduced margins, and loss of market share. Our failure to compete successfully against current or future competitors could harm our business, operating results, and financial condition.

**If we do not correctly anticipate demand for our products, our operating results will suffer.**

The demand for our products depends on many factors and is difficult to forecast as we introduce and support more products, and as competition in the markets for our products intensifies. If demand is lower than forecasted levels, we could have excess production resulting in higher inventories of finished products and components, which could lead to write-downs or write-offs of some or all of the excess inventories, and reductions in our cash balances. Lower than forecasted demand could also result in excess manufacturing capacity at our third-party manufacturers and in our failure to meet minimum purchase commitments, each of which may lower our operating results.

If demand increases beyond forecasted levels, we will have to rapidly increase production at our third-party manufacturers. We depend on suppliers to provide additional volumes of components, and suppliers might not be able to increase production rapidly enough to meet unexpected demand. Even if we were able to procure enough components, our third-party manufacturers might not be able to produce enough of our devices to meet our customer demand. In addition,

rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components and other expenses. These higher costs could lower our profit margins. Further, if production is increased rapidly, manufacturing yields could decline, which may also lower operating results.

**We rely primarily on distributors to distribute our products, and our sales would suffer if any of these distributors stopped distributing our products effectively.**

Because we distribute and fulfill resellers' orders for our products primarily through distributors, we are subject to risks associated with channel distribution, such as risks related to their inventory levels and support for our products. Our distribution channels may build up inventories in anticipation of growth in their sales. If such growth in their sales does not occur as anticipated, the inventory build-up could contribute to higher levels of product returns. The lack of sales by any one significant participant in our distribution channels could result in excess inventories and adversely affect our operating results and working capital liquidity. During the three months ended March 31, 2024 and 2023, Ingram Micro® and BlueStar together represented approximately 39% and 43%, respectively, of our worldwide sales. We expect that a significant portion of our sales will continue to depend on sales to a limited number of distributors.

Our agreements with distributors are generally nonexclusive and may be terminated on short notice by them without cause. Our distributors are not within our control, are not obligated to purchase products from us, and may offer competitive lines of products simultaneously. Sales growth is contingent in part on our ability to enter into additional distribution relationships and expand our sales channels. We cannot predict whether we will be successful in establishing new distribution relationships, expanding our sales channels or maintaining our existing relationships. A failure to enter into new distribution relationships, expand our sales channels, or maintain our existing relationships could adversely impact our ability to grow our sales.

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We allow our distribution channels to return a portion of their inventory to us for full credit against other purchases. In addition, in the event we reduce our prices, we credit our distributors for the difference between the purchase price of products remaining in their inventory and our reduced price for such products. Actual returns and price protection may adversely affect future operating results and working capital liquidity by reducing our accounts receivable and increasing our inventory balances, particularly since we seek to continually introduce new and enhanced products and are likely to face increasing price competition.

**We depend on alliances and other business relationships with third parties, and a disruption in these relationships would hinder our ability to develop and sell our products.**

We depend on strategic alliances and business relationships with leading participants in various segments of the mobile applications market to help us develop and market our products. Our strategic partners may revoke their commitment to our products or services at any time in the future or may develop their own competitive products or services. Accordingly, our strategic relationships may not result in sustained business alliances, successful product or service offerings, or the generation of significant revenues. Failure of one or more of such alliances could result in delay or termination of product development projects, failure to win new customers or loss of confidence by current or potential customers.

We have devoted significant research and development resources to design products to work with a number of operating systems used in mobile devices including Apple® (iOS), Google™ (Android™) and Microsoft® (Windows®). Such design activities have diverted financial and personnel resources from other development projects. These design activities are not undertaken pursuant to any agreement under which Apple, Google or Microsoft is obligated to collaborate or to support the products produced from such collaboration. Consequently, these organizations may terminate their collaborations with us for a variety of reasons, including our failure to meet agreed-upon standards or for reasons beyond our control, such as changing market conditions, increased competition, discontinued product lines, and product obsolescence.

**Our intellectual property and proprietary rights may be insufficient to protect our competitive position.**

Our business depends on our ability to protect our intellectual property. We rely primarily on patent, copyright, trademark, trade secret laws, and other restrictions on disclosure to protect our proprietary technologies. We cannot be sure that these measures will provide meaningful protection for our proprietary technologies and processes. We cannot be sure that any patent issued to us will be sufficient to protect our technology. The failure of any patents to provide protection for our technology would make it easier for our competitors to offer similar products. In connection with our participation in the development of various industry standards, we may be required to license certain of our patents to other parties, including our competitors that develop products based upon the adopted standards.

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We also generally enter into confidentiality agreements with our employees, distributors, and strategic partners, and generally control access to our documentation and other proprietary information. Despite these precautions, it may be possible for a third-party to copy or otherwise obtain and use our products, services, or technology without authorization,

develop similar technology independently, or design around our patents.

Additionally, effective copyright, trademark, and trade secret protection may be unavailable or limited in certain foreign countries.

**We may become subject to claims of intellectual property rights infringement, which could result in substantial liability.**

In the course of operating our business, we may receive claims of intellectual property infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. Many of our competitors have large intellectual property portfolios, including patents that may cover technologies that are relevant to our business. In addition, many smaller companies, universities, and individuals have obtained or applied for patents in areas of technology that may relate to our business. The industry is moving towards aggressive assertion, licensing, and litigation of patents and other intellectual property rights.

If we are unable to obtain and maintain licenses on favorable terms for intellectual property rights required for the manufacture, sale, and use of our products, particularly those products which must comply with industry standard protocols and specifications to be commercially viable, our results of operations or financial condition could be adversely impacted.

In addition to disputes relating to the validity or alleged infringement of other parties' rights, we may become involved in disputes relating to our assertion of our own intellectual property rights. Whether we are defending the assertion of intellectual property rights against us or asserting our intellectual property rights against others, intellectual property litigation can be complex, costly, protracted, and highly disruptive to business operations by diverting the attention and energies of management and key technical personnel. Plaintiffs in intellectual property cases often seek injunctive relief, and the measures of damages in intellectual property litigation are complex and often subjective or uncertain. Thus, any adverse determinations in this type of litigation could subject us to significant liabilities and costs.

**New industry standards may require us to redesign our products, which could substantially increase our operating expenses.**

Standards for the form and functionality of our products are established by standards committees. These independent committees establish standards, which evolve and change over time, for different categories of our products. We must continue to identify and ensure compliance with evolving industry standards so that our products are interoperable and we remain competitive. Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Should any major changes, even if anticipated, occur, we would be required to invest significant time and resources to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we would miss opportunities to sell our products for use with new hardware components from mobile computer manufacturers and OEMs, thus affecting our business.

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**Undetected flaws and defects in our products may disrupt product sales and result in expensive and time-consuming remedial action**

Our hardware and software products may contain undetected flaws, which may not be discovered until customers have used the products. From time to time, we may temporarily suspend or delay shipments or divert development resources from other projects to correct a particular product deficiency. Efforts to identify and correct errors and make design changes may be expensive and time-consuming. Failure to discover product deficiencies in the future could delay product introductions or shipments, require us to recall previously shipped products to make design modifications, or cause unfavorable publicity, any of which could adversely affect our business and operating results.

**The loss of one or more of our senior personnel could harm our existing business.**

A number of our officers and senior managers have been employed for more than twenty years by us, including our President, Chief Financial Officer, Vice President of Operations and Vice President of Engineering/Chief Technical Officer. Our future success will depend upon the continued service of key officers and senior managers. Competition for officers and senior managers is intense, and there can be no assurance that we will be able to retain our existing senior personnel. The loss of one or more of our officers or key senior managers could adversely affect our ability to compete.

**The expensing of stock options and restricted stocks will continue to reduce our operating results such that we may find it necessary to change our business practices to attract and retain employees.**

We have been using stock options and restricted stocks as key components of our employee compensation packages. We believe that stock options and restricted stocks provide an incentive to our employees to maximize long-term stockholder value and, through the use of vesting, encourage valued employees to remain with us. The expensing of employee stock options and restricted stocks adversely affects our net income and earnings per share, will continue to

adversely affect future quarters, and will make profitability harder to achieve. In addition, we may decide in response to the effects of expensing stock options and restricted stocks on our operating results to reduce the number of stock options or restricted stocks granted to employees or to grant to fewer employees. This could adversely affect our ability to retain existing employees or attract qualified candidates, and also could increase the cash compensation we would have to pay to them.

**If we are unable to attract and retain highly skilled sales and marketing and product development personnel, our ability to develop and market new products and product enhancements will be adversely affected.**

We believe our ability to achieve increased revenues and to develop successful new products and product enhancements will depend in part upon our ability to attract and retain highly skilled sales and marketing and product development personnel. Our products involve a number of new and evolving technologies, and we frequently need to apply these technologies to the unique requirements of mobile products. Our personnel must be familiar with both the technologies we support and the unique requirements of the products to which our products connect. Competition for such personnel is intense, and we may not be able to attract and retain such key personnel. In addition, our ability to hire and retain such key personnel will depend upon our ability to raise capital or achieve increased revenue levels to fund the costs associated with such key personnel. Failure to attract and retain such key personnel will adversely affect our ability to develop and market new products and product enhancements.

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**Our operating results could be harmed by economic, political, regulatory and other risks associated with export sales.**

Our operating results are subject to the risks inherent in export sales, including:

- longer payment cycles;
- unexpected changes in regulatory requirements, import and export restrictions and tariffs;
- difficulties in managing foreign operations;
- the burdens of complying with a variety of foreign laws;
- greater difficulty or delay in accounts receivable collection;
- potentially adverse tax consequences; and
- political and economic instability (such as Russia's military action against Ukraine).

Our export sales are primarily denominated in Euros for our sales to European distributors and in British pounds for our sales to UK distributors. Accordingly, an increase in the value of the United States dollar relative to the Euro or British pound could make our products more expensive and therefore potentially less competitive in European markets. Declines in the value of the Euro or pound relative to the United States dollar may result in foreign currency losses relating to the collection of receivables denominated if left unhedged.

**Our facilities or operations could be adversely affected by events outside our control, such as natural disasters or health epidemics.**

Our corporate headquarters is located in a seismically active region in Northern California. If major disasters such as earthquakes occur, or our information system or communications network breaks down or operates improperly, our headquarters and production facilities may be seriously damaged, or we may have to stop or delay production and shipment of our products. In addition, we may be affected by health epidemic or pandemics, such as the COVID-19 pandemic, or geopolitical instability, such as Russia's military action against Ukraine. We may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, operating results and financial condition.

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**Our quarterly operating results may fluctuate in future periods, which could cause our stock price to decline.**

We expect to experience quarterly fluctuations in operating results in the future. Quarterly revenues and operating results depend on the volume and timing of orders received, which sometimes are difficult to forecast. Historically, we have recognized a substantial portion of our revenue in the last month of the quarter. This subjects us to the risk that even modest delays in orders or in the manufacture of products relating to orders received, may adversely affect our quarterly operating results. Our operating results may also fluctuate due to factors such as:

- the demand for our products;
- the size and timing of customer orders;
- unanticipated delays or problems in our introduction of new products and product enhancements;
- the introduction of new products and product enhancements by our competitors;
- the timing of the introduction and deployment of new applications that work with our products;
- changes in the revenues attributable to royalties and engineering development services;

- product mix;
- timing of software enhancements;
- changes in the level of operating expenses;
- competitive conditions in the industry including competitive pressures resulting in lower average selling prices;
- timing of distributors' shipments to their customers;
- delays in supplies of key components used in the manufacturing of our products; and
- general economic conditions and conditions specific to our customers' industries.

Because we base our staffing and other operating expenses on anticipated revenues, unanticipated declines or delays in the receipt of orders can cause significant variations in operating results from quarter to quarter. As a result of any of the foregoing factors, or a combination, our results of operations in any given quarter may be below the expectations of public market analysts or investors, in which case the market price of our common stock would be adversely affected.

**The sale of a substantial number of shares of our common stock could cause the market price of our common stock to decline.**

Sales of a substantial number of shares of our common stock in the public market could adversely affect the market price for our common stock. The market price of our common stock could also decline if one or more of our significant stockholders decided for any reason to sell substantial amounts of our common stock in the public market.

As of May 9, 2024, we had 7,546,938 shares of common stock outstanding. Substantially all of these shares are freely tradable in the public market, either without restriction or subject, in some cases, only to Form S-3 prospectus delivery requirements and, in other cases, only to the manner of sale, volume, and notice requirements of Rule 144 under the Securities Act.

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As of May 9, 2024, we had 1,102,114 shares of common stock subject to outstanding options under our stock option plans, 1,151,208 shares of restricted stock outstanding, and 431,570 shares of common stock available for future issuance under the plans. We have registered the shares of common stock subject to outstanding options and restricted stock and reserved them for issuance under our stock option plans. Accordingly, the shares of common stock underlying vested options and unvested restricted stock will be eligible for resale in the public market as soon as the options are exercised or the restricted stock vests, as applicable.

**Volatility in the trading price of our common stock could negatively impact the price of our common stock.**

During the period from January 1, 2023 through the date of the report, our common stock price fluctuated between a high of \$2.48 and a low of \$0.90. We have experienced low trading volumes in our stock, and thus relatively small purchases and sales can have a significant effect on our stock price. The trading price of our common stock could be subject to wide fluctuations in response to many factors, some of which are beyond our control, including general economic conditions and the outlook of securities analysts and investors on our industry. In addition, the stock markets in general, and the markets for high technology stocks in particular, have experienced high volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

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## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

## Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	XBRL Document

\* Filed herewith.

\*\* Furnished herewith.

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## SIGNATURES

Date: May 14, 2024

/s/ Kevin J. Mills

Kevin J. Mills

President and Chief Executive Officer

(Duly Authorized Officer and Principal Executive Officer)

Date: May 14, 2024

/s/ Lynn Zhao

Lynn Zhao

Vice President of Finance and Administration and Chief

Financial Officer (Duly Authorized Officer and Principal

Financial and Accounting Officer)



## CERTIFICATION

I, Kevin J. Mills, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Socket Mobile, Inc.;
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 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; and
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: May 14, 2024

By: s/ Kevin J. Mills  
Name: Kevin J. Mills  
Title: President and Chief Executive Officer (Principal Executive Officer)

## CERTIFICATION

I, Lynn Zhao, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Socket Mobile, Inc.;
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 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; and
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: May 14, 2024

By:/s/ Lynn Zhao

Name:Lynn Zhao

Title:Vice President of Finance and Administration and

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin J. Mills, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Socket Mobile, Inc. on Form 10-Q for the quarter ended March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Socket Mobile, Inc.

By: /s/ Kevin J. Mills  
Name: Kevin J. Mills  
Title: President and Chief Executive Officer (Principal Executive Officer)  
Date: May 14, 2024

I, Lynn Zhao, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Socket Mobile, Inc. on Form 10-Q for the quarter ended March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Socket Mobile, Inc.

By: /s/ Lynn Zhao  
Name: Lynn Zhao  
Title: Vice President of Finance and Administration and Chief Financial Officer (Principal Financial Officer)  
Date: May 14, 2024