**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# FORM 10-K

**(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2024**

**( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _______ to _______.**

**Commission file number 1-13810**

# SOCKET MOBILE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **94-3155066** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

**40675 Encyclopedia Cir, 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 Exchange 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 |

Securities registered pursuant to Section 12(g) of the Exchange Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]

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 [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [ X ] NO [ ]

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 [X] Smaller reporting company [X]

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

As of June 30, 2024, the aggregate market value of the registrant’s Common Stock ($0.001 par value) held by non-affiliates of the registrant was $6,231,799 based on the closing sale price as reported on the NASDAQ Marketplace system.

The number of shares of Common Stock ($0.001 par value) outstanding as of March 20, 2025: 7,952,988 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13, and 14 of Part III are incorporated by reference from the Registrant’s Proxy Statement for the Annual Meeting of Stockholders to be held on June 4, 2025. Such Proxy Statement will be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

## TABLE OF CONTENTS


**PART I**

| | | |
|---|---|---|
| Item 1. | Business | 1 |
| Item 1A. | Risk Factors | 8 |
| Item 1B. | Unresolved Staff Comments | 17 |
| Item 1C. | Cybersecurity | 17 |
| Item 2. | Properties | 18 |
| Item 3. | Legal Proceedings | 18 |
| Item 4. | Mine Safety Disclosures | 18 |

**PART II**

| | | |
|---|---|---|
| Item 5. | Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 19 |
| Item 6. | Selected Financial Data | 20 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 21 |
| Item 7A. | Quantitative and Qualitative Disclosures about Market Risk | 27 |
| Item 8. | Financial Statements and Supplementary Data | 27 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 54 |
| Item 9A. | Controls and Procedures | 54 |
| Item 9B. | Other Information | 55 |
| Item 9C. | Disclosure Regarding Foreign Jurisdictions that Prevent Inspections | 55 |

**PART III**

| | | |
|---|---|---|
| Item 10. | Directors, Executive Officers and Corporate Governance | 56 |
| Item 11. | Executive Compensation | 56 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 56 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 56 |
| Item 14. | Principal Accounting Fees and Services | 56 |

**PART IV**

| | | |
|---|---|---|
| Item 15. | Exhibits, Financial Statement Schedules | 57 |

**SIGNATURES** 58

**Index to Exhibits** 59

# PART I

## Forward-Looking Statements

This Annual 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, 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-K including "Item 1A. Risk Factors" and recent Form 8-K and Form 10-Q reports 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 financial statements and notes included elsewhere in this report, and other information contained in other reports and documents filed from time to time with the Securities and Exchange Commission.

## Item 1. Business

### General

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 app 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 app providers or the resellers of their applications. The number of our registered app providers for data capture applications continues to grow.

We were founded in March 1992 as Socket Communications, Inc. and reincorporated in Delaware in 1995 prior to our initial public offering in June 1995. We have financed our operations since inception primarily from selling equity capital or convertible debt, receivables-based revolving lines of credit and term loans with our bank. We began doing business as Socket Mobile, Inc. in January 2007 to better reflect our market focus on the mobile business market and changed our legal name to Socket Mobile, Inc. in April 2008. Our common stock trades on the NASDAQ Capital Market under the symbol "SCKT". Our principal executive offices are located at 40675 Encyclopedia Circle, Fremont, CA 94538, and our phone number is (510) 933-3000.

Our Internet home page is https://www.socketmobile.com; however, the information on or that can be accessed through it is not part of this Annual Report. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to such reports are available free of charge on or through our internet home page as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

**Products**

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 app providers, which enables them to provide their consumers with our advanced barcode scanning features. Our products are integrated by the app providers and are marketed by the app providers or their resellers. The number of app providers supporting our data capture solutions continues to grow.

*XtremeScan family*. Our XtremeScan product line consists of three configurations: XtremeScan Case, XtremeScan, and XtremeScan Grip, all designed for iPhone. This product family marks a significant milestone in our commitment to delivering high-quality data capture solutions for customers in industrial, manufacturing, warehousing, oil and gas, and airports. XtremeScan enables iPhones to withstand harsh industrial conditions, offering robust scanning capabilities with military-grade durability. The product family expanded in 2024 with the introduction of several XtremeScan Mag devices, catering for the growing number of workers using a single phone for both personal and business needs. The Bring Your Own Device ( BYOD) market is a significant yet underserved segment where we see strong growth potential. XtremeScan is fully compatible with iPhone 16e, a durable, cost-effective device designed for industrial environments. With an extra-long battery life, enhanced drop resistance, and the trusted iOS platform, it is expected to become the go-to device for demanding industrial sectors. XtremeScan, combined with iPhones16e, will empower industrial businesses with durable, adaptable, and future-ready data capture technology.

*SocketCam family*. Our camera-based barcode scanning software includes SocketCam C820 and C860, compatible with both iOS and Android. The C820 is a free, easily integrated camera scanning solution, while the C860 offers a significant upgrade for users with advanced scanning needs. The C860 stands out due to its swift and accurate reading of damaged barcodes and exceptional performance in poor lighting conditions, setting it apart in the industry. Both C820 and C860 enable App providers to serve a wide range of customers with diverse data capture requirements, from price-sensitive to performance-sensitive. End-users needing more than a free camera-based scanners can upgrade to advanced C860 or opt for a Socket hardware scanner.

*DuraScan® Family*. Our DuraScan® family includes the 600 Series NFC & RFID readers (D600), 700 Series companion scanners (D700, D720, D730, D740, D745, D755, D760, D762), 800 Series attachable scanners (D800, D820, D840, D860), and the Wearable 900 Series (DW930, DW940). Designed for rugged work environments, DuraScan data readers offer exceptional durability, making them ideal for industries such as warehousing, manufacturing, and distribution.

*SocketScan family*. Our SocketScan family offers a range of versatile solutions designed for seamless integration into various business applications. It includes the 300 Series countertop readers (S320, S370), the 500 Series NFC Mobile Wallet Reader (S550), the 700 Series companion scanners (S700, S720, S730, S740), and the 800 Series attachable scanners (S800, S820, S840, S860). With an easy setup process and user-friendly design, SocketScan enhances efficiency by delivering fast, high-performance 1D/2D scanning while reducing human errors. Whether scanning barcodes, reading NFC data, or handling combo applications, SocketScan ensures accuracy and reliability across diverse industries.

*DuraSled Family*. Our DuraSled (DS800, DS820, DS840, DS860) integrates a smartphone with a high-performance, protective barcode sled scanner, creating a one-handed solution. Designed for efficiency, these sled scanners offer native support with select Apple and Samsung smartphones, enabling full application control of a one-handed data collection experience.

*Software Developer Kit (CaptureSDK)*. Our CaptureSDK supports all Socket Mobile data capture devices through a single integration, simplifying the process for app developers to incorporate our data capture capabilities into their applications. By installing our SDK, developers enable their customers to select the most suitable Socket Mobile products for their needs. CaptureSDK allows developers to modify captured data, control the placement of barcode or RFID data within their applications, and manage user feedback to confirm successful transactions and data transmissions. Additionally, CaptureSDK includes SocketCam, a feature that enables the use of a device's built-in camera for occasional or lower-volume data collection requirements. CaptureSDK is compatible with development tools such as Swift Package Manager, Maven, and NuGet, and supports high-level frameworks including MAUI, React Native, Java, JavaScript, and Flutter, facilitating seamless integration of our data capture solutions into diverse applications.

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 app 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.

## Our Mission, Vision, and Core Values

Our *mission* is to supply innovative and cost-effective data capture tools for businesses that use mobile platforms to conduct business in mobile environments.

Our *vision* is to manage the complexity of capturing and delivering data across a spectrum of data sources, network technologies, and mobile systems so that our customers can concentrate on applications of the data. Our customers are app providers and their consumers in need of data capture solutions.

We have embraced the following *core values*:

*Accountability*: We take ownership and responsibility for our actions and performance. We learn from our mistakes and celebrate our successes.

*Customer Focus:* We live by and for our customer's success. We want to earn their top-of-mind choice, enhance their final customer experience, and create value through our relationship.

*Excellence:* We take pride in what we make and do and value the creativity, talent, ambition, and drive of each employee to be his or her best and to achieve superior results.

*Integrity:* We are honest and ethical in all our dealings with each other, customers, business partners, suppliers, competitors, and other stakeholders. We say what we mean and mean what we say.

*Mutual Respect:* We value people's differences and diverse opinions, and we treat each other fairly.

**Marketing Dynamics**

*Application provider relationships*. We actively support app providers to integrate our data capture solutions into their applications. We provide an easy-to-use software developer kit (CaptureSDK) and training and technical support to app providers. We support the marketing activities of app providers in promoting the applications that include our products. Once our data capture products are integrated by the app provider, our products become an ingredient of the application solution and part of the app provider's marketing program. We provide regular CaptureSDK updates including updates that support the latest operating system updates provided by Apple, Google, and Microsoft. We spend extensive engineering time and resources to ensure that our products are compatible with a wide variety of the most popular smartphones, tablets, and mobile computers running a variety of operating systems. We comply with the standards set by the standard-setting bodies whose technologies are used in our products such as Bluetooth SIG, NFC Forum, GS1, AIM Global, CIPURSE, and FeliCa.

*Mobile Markets*. Our revenues are primarily driven by sales of barcode scanners integrated into mPOS (mobile Point of Sale) applications used with Apple tablets and other mobile devices. Many mPOS application providers develop software for smaller retailers using tablets as cash registers. Other mobile markets addressed by app providers include 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. We expect these markets to increase the use of mobile applications and the demand for barcode scanners.

*Expanded and improved product offerings.* We offer a wide range of products that enable app providers and their consumers to design their mobile systems to meet their specific requirements, and we encourage our distributors to support the full range of our products. The goal is for customers to view Socket Mobile as a primary source for their mobile data capture needs. Our products include stand-alone barcode scanners in both durable and standard cases, attachable barcode scanners, RFID/NFC reader/writer and camera-based scanning software. We provide a software developer kit to app providers to enable our advanced data capture software to be easily integrated into applications. See “Item 1 Business. The Company and its Products” for a more detailed description of our products.

We design our products to comply with the regulations of the many worldwide agencies that regulate the safety, performance, and use of electronic products.

*Competitive pricing.* We have designed our products to be priced competitively although we are subject to changes in component pricing by our suppliers. We update our products from time to time and work with our vendors to achieve reductions in component pricing.

*Worldwide product availability*. We distribute our products through a worldwide distribution network that places products into geographic regions to shorten purchasing time and provides a credit shield to us. Our largest distributors are Ingram Micro®, ScanSource® and Blue Star, and they support a worldwide network of online resellers including Shopify®, Amazon.com, and CDW®. We also offer products in our own online stores.

*Strong Brand Name*. We believe that our products make a difference in the daily work life of mobile workers and the people they serve. We are building a brand image focused on business mobility. This image closely associates us with business mobility solutions and to reflect this image, we began doing business as Socket Mobile, Inc. in January 2007 and changed our legal name to Socket Mobile, Inc. in April 2008. We stress to customers the design of our products for the markets they serve, emphasizing quality and standards-based connectivity. Mobility requires products that are compact and designed to be handled while mobile, with low power consumption to extend the time between charges and are easy to use. We strive to offer high-performance products at a wide range of competitive prices. Through our developer support program, we work closely with app providers who are developing productivity-enhancing applications for the mobile workforce. Our overall company brand identity and positioning goal is to be a leading provider of easy-to-deploy business mobility data capture systems to the business mobility market.

**Competition and Competitive Risks**

The overall market for mobile handheld data capture solutions is both complex and competitive. Our products compete with similar products in all our markets in the United States, Europe and Asia, and we differentiate our products with our software developer kit and our underlying data capture software designed to work with smartphones, tablets, and other mobile computers running the Apple, Android and Windows operating systems. Our longtime focus on creating innovative mobile solutions for the mobile workforce has resulted in good brand name recognition and reputation. We believe that our brand name identifies our products as durable, dependable, ergonomic, and easy to use, all features designed for a mobile worker while mobile, and the breadth of our product offerings, including the extensively advanced features of our software and software developer kit, will continue to differentiate us relative to our competitors.

*Cordless Barcode Scanning.* We offer a full range of cordless barcode scanners designed to connect to smartphones, tablets, and other computing devices via Bluetooth. Our Software Developer Kit (CaptureSDK) empowers app providers to integrate the capabilities of our Data Capture software into their applications, setting our products apart. Our cordless barcode scanners face competition from similar products by Koamtec, Code Corporation and Opticon (Japan). Users may choose a barcode scanner that connects directly to an Apple tablet, iPhone or a computer, as offered by Infinite Peripherals and Honeywell. Alternatively, users may choose more rugged barcode scanners, with some integrated into computing devices from manufacturers such as Datalogic, Honeywell®, and Zebra Technologies. Many of these devices lack Apple certification and connect to Apple devices via Bluetooth in keyboard emulation mode. They may not offer extensive tools for app providers, such as our software developer kit (CaptureSDK), to integrate the features of our sophisticated data collection scanning software and hardware. This could potentially limit their ability to meet the consumer's requirements fully.

*NFC & RFID Contactless Reader/Writer*. We offer products that are certified by Apple Pay® Value Added Service (VAS), Google Wallet Smart Tap, NFC Forum, FeliCa®, and Bluetooth SIG. Additionally, we provide a combo NFC & QR code mobile wallet reader, which combines NFC contactless technology with Bluetooth barcode scanning data capture. These devices are compatible with Android, Apple iOS and Windows. They support all NFC Forum tag types and devices compliant with the ISO 18092 standard, as well as ISO 14443 Type A and B smart cards, ISO 15693 tags, MIFARE®, FeliCa®, NXP, and STMicro tags. They can also read Digital ID / mDL (Mobile Driver's License). We face challenges with the limitations on NFC usage in iPhones, although Apple has opened up some NFC capabilities to developers. We are exploring new markets while working with current App developers to adopt our NFC reader/writer, giving us an advantage against competitors.

*Camera Barcode Scanning.* We offer two camera-based barcode scanning products: the C820, a free and easily integrated camera scanning solution, and the C860, an upgraded and advanced scanning solution. The C860's standout feature is its ability to read damaged barcodes swiftly and accurately, even in poor lighting conditions, setting it apart from others in the industry. Our camera-scanning solutions face competition from applications provided by Scandit or Manatee Works. However, our business model ensures affordability and flexibility, making our camera-scanning solutions accessible to a wide range of businesses. Our App partners receive camera scanning solutions at no charge, which encourages them to adopt our solutions. Users of their apps pay for the solutions only if the C860 is selected. For end users, most of their needs can be met with our free camera scanning solution, except for a small percentage of needs requiring the advanced solution, C860. This makes our camera scanning solution ideal for end users as well.

**Proprietary Technology and Intellectual Property**

We have been granted U.S. patents and design patents and have other patent applications under review. We have registered trademarks with the U.S. Patent and Trademark Office for the mark "Socket", our logo, DuraScan, SocketScan, SocketCam, and XtremeScan.

We have developed technological building blocks that enhance our ability to design new hardware and software products, offer products that run on multiple software and hardware platforms, and manufacture and package products efficiently.

We own and control the design of our products, enabling us to modify its features or software to meet specific customer requirements.

We have developed software programs that provide unique functions and features for our data collection products. For example, our data collection software enables our barcode scanning products to scan a variety of barcodes and to route the data to many different types of data files on operating systems used in Apple, Android, and Windows mobile devices. We use Bluetooth technology to provide a completely functional Bluetooth solution enabling connections and data transfers between Bluetooth-enabled devices. Our companion applications assist Apple iOS, Android and Windows users with the proper setup and use of our data capture products.

We rely on a combination of patent, copyright, trademark and trade secret laws, and confidentiality procedures to protect our proprietary rights. As part of our confidentiality procedures, we generally enter into non-disclosure agreements with our employees, distributors and strategic partners, and limit access to our software, 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 or technology without authorization, or to develop similar technology independently. In addition, we may not be able to effectively protect our intellectual property rights in certain foreign countries. From time to time, we receive communications from third parties asserting that our products infringe, or may infringe, their proprietary rights. Litigation could be brought against us that could result in significant additional expense or compel us to discontinue or redesign some of our products.

## Personnel

Our future success will depend in significant part upon the continued service of certain of our key technical and senior management personnel, and our continuing ability to attract, assimilate and retain highly qualified technical, managerial, and sales and marketing personnel. Our total employee headcount was 59 and 61 as of December 31, 2024 and 2023, respectively. Our employees are not represented by a union, and we consider our employee relationships to be good. As of December 31, 2024, we had 22 persons in sales, marketing, and customer service, 13 persons in development engineering, 7 persons in finance and administration, and 17 persons in operations.

## 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.*

**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 app 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.

**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.

**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.

**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.

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.

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 twelve months ended December 31, 2024 and 2023, Ingram Micro® and BlueStar together represented approximately 48% and 44%, 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.

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.

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.

**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.

**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.

**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 March 20, 2025, we had 7,952,988 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.

As of March 20, 2025, we had 1,114,698 shares of common stock subject to outstanding options under our stock option plans, 1,140,202 shares of restricted stock outstanding, and 328,166 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, 2024 through the date of the report, our common stock price fluctuated between a high of $1.72 and a low of $0.91. 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.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

We recognize the importance of assessing, identifying and managing material risks associated with cybersecurity threats. These risks include, among other things: operational risks, intellectual property theft, fraud, extortion, harm to employees or customers and violation of data privacy or security laws. Our cybersecurity programs are built on operations and compliance foundations. Operations focus on continuous detection, prevention, measurement, analysis and response to cybersecurity alerts and incidents, and on emerging threats. Compliance establishes oversight of our cybersecurity programs by creating risk-based controls to protect the integrity, confidentiality, accessibility and availability of company data stored, processed or transferred. Our cybersecurity program is integrated within our overall risk management processes.

Our cybersecurity program is led by our Chief Information Officer ("CIO") who is responsible for our overall information security strategy, policy, security engineering, operations and cyber threat detection and response. Our CIO has extensive information technology and program management experience and many years of experience with our organization. Our CIO reports to our president and CEO.

Recognizing the complexity and evolving nature of cybersecurity threats, we engage with external experts in evaluating and testing our risk management systems. The partnerships enable us to leverage specialized knowledge and insights, ensuring our cybersecurity strategies and processes remain at the forefront of industry best practices. Our collaboration with the third-party includes threat assessments and consultation on security enhancements. All employees are required to complete cybersecurity training at least once a year and have access to more frequent cybersecurity training through online updates.

Our board of directors oversees management's processes for identifying and mitigating risks, including cybersecurity risks, to help align our risk exposure with our strategic objectives. Senior leadership briefs the board of directors on our cybersecurity and information security posture, and our board of directors is informed of cybersecurity incidents deemed to have a high or critical business impact, even if immaterial to us.

While acknowledging the existence of various cybersecurity risks, to date, they have not materially affected our business strategy, results of operations or financial condition. Although we have not experienced any breaches, we have encountered occasional attempts, albeit of minor significance, targeting our data and systems, including instances of malware and computer virus infiltration. Thus far all such incidents have been minor.

## Item 2. Properties

In February 2022, the Company entered into an 87-month operating lease agreement for an approximately 35,913 square-foot facility in Fremont, California, where our office and manufacturing operations are located. The current monthly rent obligation is $53,340, subject to annual 3% increases each May.

## Item 3. Legal Proceedings

We are currently not a party to any material legal proceedings.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Common Stock

The Company’s common stock is traded on the NASDAQ Marketplace under the symbol “SCKT.”

On March 20, 2025, the closing sales price for our common stock of 7,952,988 shares as reported on the NASDAQ Marketplace, was $1.15. We have not paid dividends on our common stock, and we currently intend to retain future earnings for use in our business and do not anticipate paying dividends in the foreseeable future.

The information required by this item regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of this Annual Report on Form 10-K.

### Performance Graph

As a “smaller reporting company,” as defined by Rule 12b-2 of the Exchange Act, we have elected scaled disclosure reporting and therefore are not required to provide the stock performance graph.

### Recent Sales of Unregistered Securities.

None.

## Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and the notes thereto in Item 8, "Financial Statements and Supplementary Data."

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| **(Amounts in thousands, except per share)** | **2020** | **2021** | **2022** | **2023** | **2024** |
| **Income Statement Data:** | | | | | |
| Revenues | $ 15,700 | $ 23,199 | $ 21,238 | $ 17,034 | $ 18,763 |
| Gross profit | $ 8,335 | $ 12,436 | $ 10,366 | $ 8,463 | $ 9,311 |
| Operating expenses | $ 12,686 | $ 9,739 | $ 10,812 | $ 11,584 | $ 11,914 |
| Net income (loss) before income taxes | $ (3,330) | $ 2,564 | $ (621) | $ (3,363) | $ (2,793) |
| Income tax benefit (expense) | $ 51 | $ 1,903 | $ 708 | $ 1,444 | $ 551 |
| Net income (loss) | $ (3,279) | $ 4,466 | $ 87 | $ (1,919) | $ (2,242) |
| Net income (loss) per share: | | | | | |
| Basic | $ (0.51) | $ 0.58 | $ 0.01 | $ (0.27) | $ (0.30) |
| Diluted | $ (0.51) | $ 0.48 | $ 0.01 | $ (0.27) | $ (0.30) |
| Weighted average shares outstanding: | | | | | |
| Basic | 6,036 | 6,991 | 7,185 | 7,230 | 7,558 |
| Diluted | 6,036 | 8,923 | 7,533 | 7,230 | 7,558 |

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2024** |
| **Balance Sheet Data:** | | | | | |
| Cash and cash equivalents | $ 2,122 | $ 6,096 | $ 3,624 | $ 2,827 | $ 2,492 |
| Total assets | $ 15,609 | $ 25,575 | $ 28,598 | $ 28,742 | $ 27,346 |
| Bank line of credit | $ — | $ — | $ — | $ — | $ — |
| Term loan | $ — | $ 625 | $ 125 | $ — | $ — |
| Related party convertible notes payable | $ 1,272 | $ 1,201 | $ 1,231 | $ 2,836 | $ 3,818 |
| Convertible notes payable | $ 170 | $ 144 | $ 147 | $ 150 | $ 150 |
| Operating lease | $ 741 | $ 258 | $ 3,737 | $ 3,292 | $ 2,817 |
| Total stockholders' equity | $ 11,173 | $ 20,046 | $ 20,322 | $ 19,420 | $ 18,161 |

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Liquidity and Capital Resources

Our primary sources of liquidity and capital resources have been cash provided from operations and financing activities. Our primary requirements for liquidity and capital arise from employee-related expenditures, inventory purchases, capital expenditures, leasing of facilities, general operating expenses, and interest and principal repayments related to our outstanding indebtedness.

Net cash used in operating activities was $521,485 for 2024, compared with net cash provided by operating activities of $48,562 for 2023.

In 2024 and 2023, we invested approximately $0.7 million and $2.2 million, respectively, in computer software development, website development, and manufacturing tooling. We expect to continue our investing activities, including planned capital expenditures.

Net cash provided by financing activities in 2024 was approximately $0.9 million, compared to approximately $1.3 million in net cash provided by financing activities in 2023. In 2024, financing activities primarily consisted of $974,000 in proceeds from convertible notes and approximately $24,000 from the exercise of stock options. These proceeds were offset by the acquisition of common stock for tax withholding obligations, totaling approximately $95,000. In 2023, financing activities primarily consisted of $1.6 million in proceeds from convertible notes and approximately $213,000 from the exercise of stock options. These proceeds were partially offset by approximately $208,000 spent on repurchasing treasury stock and $125,000 in repayments of notes payable.

We can borrow under the existing $2.5 million revolving credit facility, which matures on April 30, 2025. On December 31, 2024, the Company had no outstanding drawings against the revolving credit facility.

The primary factors that influence our liquidity include the amount and timing of our revenues, cash collections from our customers, cash payments to our suppliers, capital expenditures, acquisitions, and share repurchases. We believe that our existing balances of cash, and capital resources, inclusive of available borrowing capacity on the revolving credit facility and funds generated from operations, are sufficient to meet anticipated capital requirements, fund our operations and support our growth. Our cash requirements, however, are subject to change as business conditions change.

### Critical Accounting Policies

Our significant accounting policies are described in Note 1, Organization and Summary of Significant Accounting Policies, of the Notes to Financial Statements included in our Annual Reports on Form 10-K for the years ended December 31, 2024 and 2023. 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: Accounts Receivable Reserves, Revenue Recognition and Reserve for Future Returns, Inventory Valuation and Reserve, Stock-Based Compensation, Intangible Assets, Impairment of Long-Lived Assets, and Income Taxes.

*Accounts Receivable Allowances*

Trade accounts receivables are recorded at the net invoice value and are not interest bearing. The Company estimates the amount of uncollectible accounts receivable at the end of each reporting period based on the aging of the receivable balance, current and historical customer trends, and communications with its customers. Amounts are written off only after considerable collection efforts have been made and the amounts are determined to be uncollectible.

*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 the 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.

The Company generally recognizes revenues on sales to customers other than distributors upon shipment provided that contract with the customer is identified, performance obligations in the contract are satisfied, and the price is determined. Most of our customers other than distributors do not have a right of return except under a warranty.

The Company also generates revenue through its SocketCare services program, which offers extended warranty and accidental breakage coverage for select products. The service, which can be purchased at the time of product acquisition, provides coverage for three-year and five-year terms. Revenue from the SocketCare services program is recognized ratably over the duration of the extended warranty contract. The amount of unrecognized SocketCare service revenue is classified as deferred service revenue and presented on the Company’s balance sheet in both short-term and long-term components.

*Inventories*

Inventories consist principally of raw materials and sub-assemblies stated at the lower of standard cost, which approximates actual costs (first-in, first-out method), or market. Market is defined as replacement cost, but not in excess of estimated net realizable value or less than estimated net realizable value less a normal margin. We purchase or have manufactured the component parts by our engineering bill of materials. The timing and quantity of our purchases are based on order forecast, the lead time requirements of our vendors, and economic order quantities. At the end of each reporting period, the Company compares its inventory on hand to its forecasted requirements for the next twelve-month period and reserves the cost of any inventory that is surplus, less any amounts that the Company believes it can recover from the disposal of goods or that the Company specifically believes will be saleable past a twelve-month horizon. The Company’s sales forecasts are based upon historical trends, communications from customers, and marketing data regarding market trends and dynamics. Changes in the amounts recorded for surplus or obsolete inventory are included in cost of revenue.

*Stock-Based Compensation Expense*

The Company has incentive plans that reward employees with stock options and shares of restricted stocks. The amount of compensation cost for these stock-based awards is measured based on the fair value of the awards as of the grant date. 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. Compensation cost for stock-based awards is recognized on a straight-line basis over the vesting period, which is usually the service period.

*Intangible Assets*

The Company's intangible assets consist of completed technologies and acquired license rights. Intangible assets are amortized over their estimated useful lives based upon the estimated economic value derived from the related intangible assets. Amortization is computed using the straight-line method over the estimated useful lives of the assets.

*Impairment of Long-Lived Assets*

The Company reviews its long-lived assets for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are impaired, the impairment recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

*Income Taxes*

We account for income taxes under the asset and liability method under ASC 740 which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

**Results of Operations for Years Ended December 31, 2024 and 2023**

*Revenues*

The revenue for 2024 was $18.8 million, an increase of 10% compared to revenue of $17.0 million for 2023 driven by the growth of our business serving retail POS app providers.

*Gross Margins*

The annual gross margins on revenue increased to 50.4% in 2024 from 49.7% in 2023. This rise is attributed to the allocation of manufacturing overhead costs across higher production volumes.

*Research and Development Expenses*

For the years ended December 31, 2024 and 2023, our research and development expenses were approximately $4.7 million and $4.8 million, respectively. This represents an decrease of approximately

$111,000, or 2%. The decrease in research and development expenses is primarily due to a reduction in consulting and professional services related to the development of new products in 2023.

Research and development expenses as a percentage of revenue were 25% in 2024 and 28% in 2023. We believe that a continued commitment to Research and Development activities is essential to maintain or achieve a leadership position for our existing products, to provide innovative new product offerings, and to provide engineering support for key customers. In addition, we consider our ability to accelerate time to market for new products to be critical to our revenue growth. Therefore, we expect to continue to make significant Research and Development investments in the future. The investment percentage is impacted by revenue levels and investing cycles.

*Sales and Marketing Expenses*

Sales and marketing expenses in 2024 were approximately $4.4 million, an increase of approximately 10% compared to $4.0 million in 2023. The increases in expenses in 2024 were primarily due to the impact of the increase in the number of employees and an annual salary increase. We anticipate that our compensation expense to increase as we selectively add new talent and adjust compensation to market conditions.

*General and Administrative Expenses*

General and administrative expenses in 2024 were $2.78 million, marking an increase of approximately $44,000 or 2% compared to $2.74 million in 2023. The increase is attributed primarily to the net adjustment from foreign currency fluctuations, which affected cash balances, collections, and payables, reflecting the dynamic nature of exchange rates and their influence on our financial position.

*Interest Expense, net of Interest Income*

Interest expense and other, net of interest income and other, was approximately $331,000 in 2024 compared to approximately $242,000 in 2023. Interest expense in both 2024 and 2023 was primarily related to the subordinated convertible notes (see Note 4, Secured Subordinated Convertible Notes Payable, of the Notes to Financial Statements included in this Annual Report on Form 10-K for further information).

Interest income reflects the interest earned on cash balances. Interest income was nominal in each of the comparable periods.

*Income Taxes*

We recorded an income tax benefit of $551,000 (an effective tax rate of 19.7%) in 2024, compared to $1.44 million (an effective tax rate of 42.9%) in 2023. The Tax Cuts and Jobs Act of 2017 ("TCJA"), which was signed into U.S. law in December 2017, eliminated the option to immediately deduct research and development expenditures in the year incurred under Section 174 effective January 1, 2022. The amended provision under Section 174 requires us to capitalize and amortize these expenditures over five years (for U.S.-based research). We are monitoring legislation for any further changes to Section 174 and the potential impact on our financial statements in 2025.

Our net operating loss carryforwards will expire at various dates from 2025 through 2033. The Company's deferred tax asset, primarily representing future income tax savings from the application of net operating loss carryforwards, was valued at $10.7 million and $10.1 million as of December 31, 2024 and 2023, respectively.

*Quarterly Results of Operations*

The following table sets forth a summary of quarterly statements of operations data for each of the quarters in 2023 and 2024. This unaudited quarterly information has been prepared on the same basis as the annual information presented elsewhere herein, and, in our opinion, includes all adjustments (consisting only of normal recurring entries) necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future period.

| | Quarter Ended (unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (Amounts in thousands, except per share amounts) | Mar 31, 2023 | Jun 30, 2023 | Sep 30, 2023 | Dec 31, 2023 | Mar 31, 2024 | Jun 30, 2024 | Sep 30, 2024 | Dec 31, 2024 |
| **Summary Quarterly Data:** | | | | | | | | |
| Revenue | $ 4,312 | $ 5,117 | $ 3,206 | $ 4,399 | $ 4,978 | $ 5,081 | $ 3,872 | $ 4,831 |
| Cost of revenue | 2,240 | 2,466 | 1,788 | 2,078 | 2,473 | 2,497 | 1,975 | 2,366 |
| Gross profit | 2,072 | 2,651 | 1,418 | 2,321 | 2,505 | 2,584 | 1,897 | 2,465 |
| Operating expenses: | | | | | | | | |
| Research and development | 1,247 | 1,190 | 1,207 | 1,188 | 1,208 | 1,232 | 1,162 | 1,119 |
| Sales and marketing | 1,006 | 1,004 | 1,002 | 1,003 | 1,031 | 1,154 | 1,122 | 1,106 |
| General and administrative | 774 | 749 | 608 | 605 | 751 | 733 | 644 | 651 |
| Total operating expenses | 3,027 | 2,943 | 2,817 | 2,796 | 2,990 | 3,119 | 2,928 | 2,876 |
| Interest expense, net | (38) | (55) | (76) | (73) | (72) | (73) | (84) | (102) |
| Income tax (expense) benefit | — | (166) | 150 | 1,460 | — | — | — | 551 |
| Net income (loss) | $ (993) | $ (513) | $(1,325) | $ 912 | $ (557) | $ (608) | $(1,115) | $ 38 |
| Basic net income (loss) per share | $ (0.12) | $ (0.06) | $ (0.16) | $ 0.11 | $ (0.07) | $ (0.08) | $ (0.15) | $ 0.00 |
| Fully diluted net income (loss) per share | $ (0.12) | $ (0.06) | $ (0.16) | $ 0.08 | $ (0.07) | $ (0.08) | $ (0.15) | $ 0.00 |

Our quarterly revenue and operating results depend on the volume and timing of orders received, which are difficult to forecast. Historically, we have recognized a substantial portion of our revenue in the last month of the quarter. Operating results may also fluctuate due to factors such as the demand for our products, the size and timing of customer orders, the introduction of new products and product enhancements by us or our competitors, product mix, the timing of software enhancements, manufacturing supply shortages, changes in the level of operating expenses, and competitive conditions in the industry. Because our staffing and other operating expenses are based on anticipated revenue, a substantial portion of which is not typically generated until the end of each quarter, delays in the receipt of orders can cause significant variations in operating results from quarter to quarter.

*Contractual Obligations*

Our contractual obligations as of December 31, 2024 are outlined in the table shown below:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | 1 year | 2 to 3 years | 4 to 5 years | More than 5 years |
| Unconditional purchase obligations with contract manufacturers | $6,159,000 | $5,844,000 | $ 315,000 | $ — | $ — |
| Operating leases | 3,165,000 | 657,000 | 1,369,000 | 1,139,000 | — |
| Total contractual obligations | $ 9,324,000 | $6,501,000 | $ 1,684,000 | $ 1,139,000 | $ — |

### Off-Balance Sheet Arrangements

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

### Recent Accounting Pronouncements

See Note 1, Organization and Summary of Significant Accounting Policies, of the Notes to Financial Statements included in this Annual Report on Form 10-K for additional information regarding the status of recent accounting pronouncements.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

### Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our credit line facilities. Our bank credit line facilities, with a total limit of $2.5 million, have variable interest rates based upon the lender’s prime rate (minimum of 4.25%) plus 0.75%, for both the domestic line (up to $2.0 million) and the international line (up to $0.5 million). Consequently, interest rate increases could theoretically increase our interest expense on term loans and credit line, but at the moment, there is no outstanding 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 and expenses at the beginning, during and at the end of the quarter ended December 31, 2024, an adverse change of 10% in exchange rates would have resulted in a decrease in our net income for the fourth quarter 2024 of approximately $36,000 if left unprotected. For the fourth quarter of 2024, the total net adjustment for the effects of changes in foreign currency on cash balances, collections, and payables, was a net loss of $23,000. We will continue to monitor, assess, and mitigate through hedging activities, our risks related to foreign currency fluctuations.

## Item 8. Financial Statements and Supplementary Data

The supplementary information required by this item is included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Socket Mobile, Inc.:

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Socket Mobile, Inc. ("the Company") as of December 31, 2024 and 2023, the related statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

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

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

### Critical Audit Matters

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

Deferred Tax Asset Valuation Allowance Assessment

*Critical Audit Matter Description*

As described in Note 9 to the financial statements, the Company is in a net deferred tax asset position before valuation allowance. The deferred tax assets consist principally of net operating loss carryforwards. The future realization of the tax benefits from existing temporary differences and tax attributes ultimately depends on the existence of sufficient taxable income. In assessing the realization of the deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized through the preparation of an undiscounted projected future cash flow analysis.

We identified the evaluation of the deferred tax asset valuation allowance assessment as a critical audit matter because of the significant estimates and assumptions management used in the undiscounted cash flow analysis. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures consisted of the following:

- Testing management’s process for developing the accounting estimate for the allowance.
- Evaluating the appropriateness of the undiscounted cash flow model used by management.
- Testing the completeness and accuracy of underlying data used in the undiscounted cash flow model.
- Evaluating the significant assumptions used by management related to revenues, gross margin, other operating expenses, and income taxes to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

Long-Lived Asset Impairment Assessment

*Critical Audit Matter Description*

As described in Note 1 to the financial statements, the Company performs impairment testing for its long-lived assets when events or changes in circumstances indicate that its carrying amount may not be recoverable and exceeds its fair value. Due to challenging industry and economic conditions, the Company tested its long-lived assets at December 31, 2024. The long-lived asset group included approximately $1,432,000 in amortizable intangible assets, $2,787,000 in property and equipment, $2,604,000 in operating lease assets and $263,000 in other long-term assets. The Company’s evaluation of the recoverability of the long-lived asset group involved comparing the undiscounted future cash flows expected to be generated by the long-lived asset group to its carrying amount. The Company’s recoverability analysis requires management to make significant estimates and assumptions related to forecasted sales growth rates and cash flows over the remaining useful life of the long-lived asset group.

We identified the evaluation of the recoverability analysis for these long-lived assets as a critical audit matter because of the significant estimates and assumptions management used in the related cash flow analysis. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the following:

- Testing management's process for developing the tests for recoverability.
- Evaluating the appropriateness of the undiscounted cash flow model used by management.
- Testing the completeness and accuracy of underlying data used in the cash flow model.
- Evaluating the significant assumptions used by management related to revenues, EBITDA, and future capital asset and working capital needs to discern whether they are reasonable considering (i) the current and past performance of the entity; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the discounted cash flow model and discount rate assumptions.

*/s/ Sadler, Gibb & Associates, LLC*

We have served as the Company's auditor since 2013

Salt Lake City, UT
March 25, 2025

## SOCKET MOBILE, INC.
## BALANCE SHEETS

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,491,964 | $ 2,826,630 |
| Accounts receivable, net | 1,588,095 | 1,699,696 |
| Inventories, net | 4,941,500 | 5,409,047 |
| Prepaid expenses and other current assets | 430,719 | 440,730 |
| Deferred cost on shipments to distributors | 142,939 | 322,580 |
| Total current assets | 9,595,217 | 10,698,683 |
| Property and equipment: | | |
| Machinery and office equipment | 2,776,992 | 2,700,759 |
| Computer equipment | 3,732,733 | 3,631,945 |
| | 6,509,725 | 6,332,704 |
| Accumulated depreciation | (3,722,424) | (3,299,503) |
| Property and equipment, net | 2,787,301 | 3,033,201 |
| Intangible assets, net | 1,432,073 | 1,559,369 |
| Other long-term assets | 263,634 | 249,715 |
| Deferred tax assets | 10,663,419 | 10,112,419 |
| Operating lease right-of-use asset | 2,604,137 | 3,088,087 |
| Total assets | $ 27,345,781 | $ 28,741,474 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 1,298,165 | $ 1,605,231 |
| Accrued payroll and related expenses | 678,768 | 579,974 |
| Deferred revenue on shipments to distributors | 392,543 | 825,670 |
| Short term portion of deferred service revenue | 17,886 | 19,885 |
| Subordinated convertible notes payable, net of discount | 150,000 | 150,000 |
| Subordinated convertible notes payable, net of discount-related party | 3,818,424 | 2,835,864 |
| Operating lease – current portion | 532,027 | 483,161 |
| Total current liabilities | 6,887,813 | 6,499,785 |
| Long-term portion of operating lease | 2,284,634 | 2,808,872 |
| Long-term portion of deferred service revenue | 12,839 | 12,813 |
| Total liabilities | 9,185,286 | 9,321,470 |
| Commitments and contingencies | — | — |
| Stockholders' equity: | | |
| Common stock, $0.001 par value: Authorized – 20,000,000 shares, Issued 7,964,881 and 7,695,371, and outstanding 7,605,631 and 7,336,121 at December 31, 2024 and December 31, 2023, respectively | 7,606 | 7,336 |
| Additional paid-in capital | 69,365,801 | 68,383,230 |
| Treasury stock, at cost (359,250 shares as of December 31, 2024, and 2023) | (1,037,988) | (1,037,988) |
| Accumulated deficit | (50,174,924) | (47,932,574) |
| Total stockholders' equity | 18,160,495 | 19,420,004 |
| Total liabilities and stockholders' equity | $ 27,345,781 | $ 28,741,474 |

See accompanying notes.

## SOCKET MOBILE, INC.
## STATEMENTS OF OPERATIONS

| | Years Ended December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Revenues | $ 18,762,520 | $ 17,033,593 |
| Cost of revenues | 9,311,111 | 8,570,739 |
| Gross profit | 9,451,409 | 8,462,854 |
| Operating expenses: | | |
| Research and development | 4,720,639 | 4,831,905 |
| Sales and marketing | 4,414,074 | 4,016,373 |
| General and administrative | 2,779,197 | 2,735,569 |
| Total operating expenses | 11,913,910 | 11,583,847 |
| Operating loss | (2,462,501) | (3,120,993) |
| Interest expense, net | (330,849) | (242,161) |
| Net loss before income taxes | (2,793,350) | (3,363,154) |
| Income tax benefits | 551,000 | 1,444,000 |
| Net loss | $ (2,242,350) | $ (1,919,154) |
| Net loss per share: | | |
| Basic | $ (0.30) | $ (0.27) |
| Fully diluted | $ (0.30) | $ (0.27) |
| Weighted average shares outstanding: | | |
| Basic | 7,557,622 | 7,230,074 |
| Fully diluted | 7,557,622 | 7,230,074 |

See accompanying notes.

**SOCKET MOBILE, INC.**
**STATEMENTS OF STOCKHOLDERS' EQUITY**

| | Common Stock | | Additional Paid-In | Treasury Stock | | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Shares | Amount | Deficit | Equity |
| Balance on December 31, 2022 | 7,089,676 | $ 7,090 | $ 67,157,650 | 266,291 | $ (829,563) | $ (46,013,420) | $ 20,321,757 |
| Vesting of restricted stock | 255,687 | 256 | (256) | — | — | — | — |
| Restricted stock retired for tax withholding | (55,192) | (56) | (143,315) | — | — | — | (143,371) |
| Exercise of stock options | 138,909 | 139 | 212,676 | — | — | — | 212,815 |
| Stock-based compensation | — | — | 1,156,382 | — | — | — | 1,156,382 |
| Treasury shares purchased | (92,959) | (93) | 93 | 92,959 | (208,425) | — | (208,425) |
| Net income | — | — | — | — | — | (1,919,154) | (1,919,154) |
| Balance on December 31, 2023 | 7,336,121 | $ 7,336 | $ 68,383,230 | 359,250 | $ (1,037,988) | $ (47,392,574) | $ 19,420,004 |
| Vesting of restricted stock | 316,519 | 316 | (316) | — | — | — | — |
| Restricted stock retired for tax withholding | (72,009) | (71) | (95,134) | — | — | — | (95,205) |
| Exercise of stock options | 25,000 | 25 | 23,725 | — | — | — | 23,750 |
| Stock-based compensation | — | — | 1,054,296 | — | — | — | 1,054,296 |
| Net loss | — | — | — | — | — | (2,242,350) | (2,242,350) |
| Balance on December 31, 2024 | 7,605,631 | $ 7,606 | $ 69,365,801 | 359,250 | $ (1,037,988) | $ (50,174,924) | $ 18,160,495 |

See accompanying notes

**SOCKET MOBILE, INC.**
**STATEMENTS OF CASH FLOWS**

| | Years Ended December 31, 2024 | 2023 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $(2,242,350) | $(1,919,154) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Stock-based compensation | 1,054,296 | 1,156,382 |
| Depreciation and amortization | 1,088,721 | 922,438 |
| Deferred tax benefits | (551,000) | (1,444,000) |
| Amortization of debt discount | 8,761 | 25,473 |
| Amortization of operating lease ROU asset | 492,181 | 471,571 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 111,601 | 960,165 |
| Inventories | 467,547 | 192,644 |
| Prepaid expenses and other current assets | 10,011 | 176,458 |
| Other assets | (13,919) | 524 |
| Accounts payable and accrued expenses | (307,066) | (59,797) |
| Accrued payroll and related expenses | 98,794 | (162,567) |
| Net deferred revenue on shipments to distributors | (253,486) | 174,624 |
| Deferred service revenue | (1,973) | (1,668) |
| Net change in operating lease liability | (483,603) | (444,531) |
| Net cash (used in) provided by operating activities | (521,485) | 48,562 |
| **Investing activities** | | |
| Purchases of PP&E including software and website development | (788,325) | (2,163,872) |
| Proceeds from tenant improvements allowance | 72,800 | — |
| Net cash used in investing activities | (715,525) | (2,163,872) |
| **Financing activities** | | |
| Common stock repurchased and related expenses | — | (208,425) |
| Proceeds from note payable | 973,799 | 1,582,452 |
| Repayments of note payable | — | (125,000) |
| Acquisition of common stock for tax withholding obligations | (95,205) | (143,371) |
| Proceeds from stock options exercised | 23,750 | 212,815 |
| Net cash provided by financing activities | 902,344 | 1,318,471 |
| Net decrease in cash and cash equivalents | (334,666) | (796,839) |
| Cash and cash equivalents at beginning of year | 2,826,630 | 3,623,469 |
| Cash and cash equivalents at end of year | $ 2,491,964 | $ 2,826,630 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ 366,491 | $ 207,510 |

See accompanying notes

## SOCKET MOBILE, INC.
## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 — Organization and Summary of Significant Accounting Policies

*Organization and Business*

Socket Mobile, Inc. (the "Company") is a leading provider of data capture and delivery solutions for mobile applications used in Retail, Commercial Services, Industrial & Manufacturing, Transportation & Logistics, and Health Care. Our products include data capture devices that utilize Bluetooth or RFID/NFC technology, designed to interface with applications running on smartphones, tablets and mobile computers. These applications operate on diverse operating systems, including Apple® (iOS), Google™ (Android™) and Microsoft® (Windows®). Additionally, the Company offers camera-based barcode scanning software. The Company focuses on serving the needs of software app providers, with our sales primarily driven by the deployment of barcode and RFID/NFC enabled mobile applications.

The Company designs its own products and subcontracts the manufacturing of product components to independent third-party contract manufacturers who are in the U.S., Mexico, Singapore, China, Malaysia and Taiwan and who have the equipment, know-how and capacity to manufacture products to the Company's specifications. Final products are assembled, tested, packaged, and distributed at and from its Fremont, California facility. In addition to its own online stores, the Company offers its products worldwide through two-tier distribution, allowing customers to purchase from numerous online resellers worldwide, including some app providers. The geographic regions served by the Company include the Americas, Europe, Asia Pacific and Africa.

The Company was founded in March 1992 as Socket Communications, Inc. and reincorporated in Delaware in 1995 prior to the Company's initial public offering in June 1995. The Company began doing business as Socket Mobile, Inc. in January 2007 to better reflect its market focus on the mobile business market, and changed its legal name to Socket Mobile, Inc. in April 2008. The Company's common stock trades on the NASDAQ Marketplace under the symbol "SCKT." The Company's principal executive offices are located at 40675 Encyclopedia Circle, Fremont, CA 94538.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements as well as 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 and Cash Equivalents*

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 March 2023, the Company entered into an Insured Cash Sweep ("ICS") Deposit Placement Agreement with IntraFi Network LLC through its bank, Bridge Bank – a division of Western Alliance Bank. The ICS program allows the Company's demand or savings products to benefit from unlimited FDIC insurance, which helps the Company maintain the entire deposit on its balance sheet and provides additional security during times of market uncertainty. As of December 31, 2024, the Company's cash was held in demand deposit accounts under FDIC insurance through the ICS program. The Company has never experienced any losses in its funds in bank accounts.

*Fair Value of Financial Instruments*

As topic 820 “Fair Value Measurements and Disclosures” establishes a three-tier fair value hierarchy that prioritizes the inputs in measuring fair value based on their observability in the market.

The hierarchy consists of:

Level 1: Observable inputs, such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs in which little or no market data exists, requiring the entity to develop its own assumptions.

The carrying value of the Company’s cash and cash equivalents, accounts receivable, and accounts payable approximates their fair value due to their relatively short time to maturity.

*Foreign Currency*

The functional currency for the Company is the U.S. dollar. However, the Company requires European distributors to purchase products in Euros and British pounds and pays the expenses of European employees in Euros and British pounds. In 2024, the total net adjustment for the effects of changes in foreign currency on cash balances, collections, and payables was a net loss of $26,700 compared to a net gain of $12,550 in 2023.

*Accounts Receivable Allowances*

Trade accounts receivables are recorded at the net invoice value and are not interest bearing. The Company estimates the amount of uncollectible accounts receivable at the end of each reporting period based on the aging of the receivable balance, current and historical customer trends, and communications with its customers. Amounts are written off only after considerable collection efforts have been made and the amounts are determined to be uncollectible. The following table describes the activity in the allowance for doubtful accounts for the years ended December 31, 2024 and 2023:

| Year | Balance at Beginning of Year | Charged to Costs and Expenses | Amounts Written Off | Balance at End of Year |
|---|---|---|---|---|
| 2024 | $ 40,651 | $ — | $ — | $ 40,651 |
| 2023 | $ 40,651 | $ — | $ — | $ 40,651 |

*Inventories*

Inventories consist principally of raw materials and sub-assemblies stated at the lower of standard cost, which approximates actual costs (first-in, first-out method), or market. Market is defined as replacement cost, but not in excess of estimated net realizable value or less than estimated net realizable value less a normal margin. We purchase or have manufactured the component parts by our engineering bill of materials. The timing and quantity of our purchases are based on order forecast, the lead time requirements of our vendors, and economic order quantities. At the end of each reporting period, the Company compares its inventory on hand to its forecasted requirements for the next twelve-month period and reserves the cost of any inventory that is surplus, less any amounts that the Company believes it can recover from the disposal of goods or that the Company specifically believes will be saleable past a twelve-month horizon. The Company's sales forecasts are based upon historical trends, communications from customers, and marketing data regarding market trends and dynamics. Changes in the amounts recorded for surplus or obsolete inventory are included in cost of revenue. Inventories, net of write-downs, at December 31, 2024 and 2023 consisted of the following:

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Raw materials and sub-assemblies | $ 5,716,202 | $ 5,839,176 |
| Finished goods | 221,241 | 500,814 |
| Inventory reserves | (995,943) | (930,943) |
| Inventory, net | $ 4,941,500 | $ 5,409,047 |

*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consist of various payments that the Company has made in advance for goods or services to be received in the future. Prepaid expenses and other current assets at December 31, 2024 and 2023 consisted of the following:

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Prepaid insurance | $ 73,008 | $ 75,626 |
| Product certification costs | 102,716 | 75,604 |
| Prepaid inventory purchases | 113,340 | 123,736 |
| Prepaid maintenance contracts and other prepaid expenses | 141,655 | 165,764 |
| Prepaid expenses and other current assets | $ 430,719 | $ 440,730 |

*Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method, over the estimated useful lives of the assets ranging from one to five years. Computer software and hardware are amortized over two to three years, while machinery and equipment are typically amortized over three years. Manufacturing tooling is amortized over a span of two to three years, and improvements to leasehold are amortized over the remaining lease term. Assets under finance leases are amortized in a manner consistent with the Company's normal depreciation policy for owned assets, or the remaining lease term as applicable. Depreciation expenses in the years ended December 31, 2024 and 2023, were $961,425 and $787,881, respectively.

*Intangible Assets*

The Company's intangible assets consist of completed technologies and acquired license rights. Intangible assets are amortized over their estimated useful lives based upon the estimated economic value derived from the related intangible assets. Amortization is computed using the straight-line method over the estimated useful lives of the assets. For the years ended December 31, 2024 and 2023, the amortization expenses of intangible assets were $127,296.

The anticipated future amortization of these intangible assets as of December 31, 2024, is as follows:

| Fiscal Year | Amount |
|---|---|
| 2025 | 127,296 |
| 2026 | 127,296 |
| 2027 | 127,296 |
| 2028 | 127,296 |
| 2029 | 127,296 |
| Thereafter | 795,593 |
| | $ 1,432,073 |

*Impairment of Long-Lived Assets*

The Company reviews its long-lived assets for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are impaired, the impairment recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. For the years ended December 31, 2024 and 2023, we did not recognize any impairment loss of its long-lived assets.

*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. To date, the Company has not experienced losses on investments.

The Company's trade accounts receivable is 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 as of December 31, 2024 and December 31, 2023 were as follows:

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Bluestar, Inc. | 32% | * |
| ScanSource, Inc. | 19% | 13% |
| Ingram Micro Inc. | 15% | 20% |
| Synnex Corporation | * | 14% |
| Nippon Primex, Inc. | * | 11% |

* 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 to an interruption of supply. Suppliers may choose to restrict credit terms or require advance payments causing delays in the procurement of essential materials. If the Company were unable to procure certain of such materials, it could have a material adverse effect upon its results. As of December 31, 2024, 26% of the Company's accounts payable balances were concentrated with the top two suppliers. For the years ended December 31, 2024 and 2023, 63% and 55% of inventory purchases, respectively, were from top four suppliers.

*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 the 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. As of December 31, 2024, the deferred revenue and deferred cost on shipments to distributors were $392,543 and $142,939 respectively, compared to $825,670 and $322,580, respectively, as of December 31, 2023.

The Company generally recognizes revenues on sales to customers other than distributors upon shipment provided that contract with the customer is identified, performance obligations in the contract are satisfied, and the price is determined. Most of our customers other than distributors do not have a right of return except under warranty.

The Company also generates revenue through its SocketCare services program, which offers extended warranty and accidental breakage coverage for select products. For the years ended December 31, 2024 and 2023, the SocketCare revenues were approximately $19,300 and $21,400, respectively. The service, which can be purchased at the time of product acquisition, provides coverage for three-year and five-year terms. Revenue from the SocketCare services program is recognized ratably over the duration of the extended warranty contract. The amount of unrecognized SocketCare service revenue is classified as deferred service revenue and presented on the Company's balance sheet in both short-term and long-term components. As of December 31, 2024 and 2023, the balances of unrecognized SocketCare service revenue were $30,725 and $32,698, respectively.

*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*

The Company adopted ASU 2016-02 effective January 1, 2019. On May 1, 2022, the Company entered into a building lease agreement for its corporate headquarters located in Fremont, CA. As of December 31, 2024, the balances of right-of-use assets and liabilities for the operating leases were approximately $2.60 million and $2.80 million, respectively, compared to approximately $3.09 million and $3.29 million, respectively, as of December 31, 2023.

*Warranty*

The Company's products typically carry a one-year warranty. The Company reserves for estimated product warranty costs at the time revenue is recognized based upon the Company's historical warranty experience, and additionally for any known product warranty issues. If actual costs differ from initial estimates, the Company records the difference in the period they are identified.

Actual claims are charged against the warranty reserve. The following table describes activity in the reserves for product warranty costs for the years ended December 31, 2024 and 2023:

| Year | Balance at Beginning of Year | Additional Warranty Reserves | Amounts Charged to Reserves | Balance at End of Year |
|---|---|---|---|---|
| 2024 | $ 78,871 | $ 10,038 | $ (10,038) | $ 78,871 |
| 2023 | $ 78,871 | $ 13,417 | $ (13,417) | $ 78,871 |

*Research and Development*

Research and development expenditures are charged to operations as incurred. The major components of research and development costs include salaries and employee benefits, stock-based compensation expense, third party development costs including consultants and outside services, and allocations of overhead and occupancy costs. In 2024, these costs amounted to approximately $4.72 million, a decrease from approximately $4.83 million in 2023.

*Software Development Costs*

Costs incurred to develop computer software to be sold or otherwise marketed are charged to expense until technological feasibility of the product has been established. Once technological feasibility has been established, computer software development costs (consisting primarily of internal labor costs) are capitalized and reported at the lower of amortized cost or estimated realizable value. Purchased software development cost is recorded at cost. When a product is ready for general release, its capitalized costs are amortized on a product-by-product basis. The annual amortization is the straight-line method over the remaining estimated economic life (a period of three to five years) of the product. Amortization of capitalized software development costs is included in the cost of revenues line on the statements of operations. If the future revenue of a product is less than anticipated, impairment of the related unamortized development costs could occur, which could impact the Company's results of operations. Amortization expense on software development costs included in cost of revenues was $0 for 2024 and $7,262 for 2023. The unamortized capitalized software costs as of December 31, 2024 and 2023 were both $0.

*Advertising Costs*

Advertising costs are charged to sales and marketing as incurred. The Company incurred $29,370 and $23,827, in advertising costs during 2024 and 2023, respectively.

*Income Taxes*

We account for income taxes under the asset and liability method under ASC 740 which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

*Shipping and Handling Costs*

Shipping and handling costs are included in the cost of revenues in the statement of operations.

*Earnings (Loss) Per Share*

The basic computation of earnings (loss) per share is based on the weighted average number of shares outstanding during the period presented in accordance with Accounting Standards Codification (“ASC”) 260, “Earnings Per Share”. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is anti-dilutive.

In 2024, the shares used in computing net loss per share do not include 1,130,260 stock options, 1,078,841 shares of unvested restricted stocks, 50,000 warrants, and 3,203,906 shares for convertible notes as their effects are anti-dilutive. In 2023, the shares used in computing net loss per share do not include 1,151,114 stock options, 991,199 shares of unvested restricted stocks, 50,000 warrants, and 2,152,934 shares for convertible notes as their effects are anti-dilutive.

*Stock-Based Compensation Expense*

The Company has incentive plans that reward employees with stock options and shares of restricted stocks. The amount of compensation cost for these stock-based awards is measured based on the fair value of the awards as of the grant date. 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. Compensation cost for stock-based awards is recognized on a straight-line basis over the vesting period, which is usually the service period.

*Segment Information*

Operating segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, with separate financial information that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) to allocate resources and assess performance. The Company evaluated its operating segments under the management approach in accordance with ASC 280, Segment Reporting (ASC 280) and determined that it operates as a single reportable segment.

The CODM assesses financial performance based on revenue and operating income, while expenses are reviewed on a consolidated basis. Significant expense categories including cost of goods sold, selling, general and administrative expenses, and research and development costs, are reported in the consolidated statements of operations.

The Company distributes its products in the United States and foreign countries primarily through distributors and resellers. It markets its products mainly through app providers whose applications are designed to work with Company's products.

Revenues by geographic region for the years ended December 31, 2024 and 2023, are as follows:

| | Years Ended December 31, | |
|---|---|---|
| Revenues: (in thousands) | 2024 | 2023 |
| United States | $ 13,863 | $ 12,539 |
| Europe | 2,318 | 2,426 |
| Asia and rest of world | 2,582 | 2,069 |
| | $ 18,763 | $ 17,034 |

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.

*Major Customers*

Customers who accounted for at least 10% of total revenues for the years ended December 31, 2024 and 2023 were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2024 | 2023 |
| BlueStar, Inc. | 32% | 22% |
| Ingram Micro Inc | 16% | 22% |
| ScanSource, Inc. | * | 14% |

*Customer accounted for less than 10% of total revenues

*Recently Issued Financial Accounting Standards*

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. See *Segment Information* in Note 1.

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

**NOTE 2 — Intangible Assets**

In 2021, the Company entered into the Technology Transfer Agreement with SpringCard SAS ("SpringCard"), a market leader at the forefront of innovative electronic design and development. Its contactless and wireless solutions support a wide range of customers, ranging from large multinational corporations to locally focused businesses. As of December 31, 2024, our Balance Sheets reflect the intangible assets of the acquired technology at a net carrying amount of $1,432,073, after accumulated amortization.

The anticipated future amortization of these intangible assets as of December 31, 2024, is as follows:

| Fiscal Year | Amount |
|---|---|
| 2025 | 127,296 |
| 2026 | 127,296 |
| 2027 | 127,296 |
| 2028 | 127,296 |
| 2029 | 127,296 |
| Thereafter | 795,593 |
| | $ 1,432,073 |

## NOTE 3 — 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.

*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.

*Fifth Business Financing Modification Agreement*

On October 30, 2024, the Company entered into the Fifth Business Financing Modification Agreement with the Bank. This agreement amended the minimum quarterly adjusted EBITDA covenants to negative $600,000 for Q3 2024 and negative $200,000 for Q4 2024.

*Sixth Business Financing Modification Agreement*

On January 28, 2025, the Company entered into the Sixth Business Financing Modification Agreement with the Bank, extending the maturity date of both domestic and EXIM lines of credit to April 30, 2025.

Interest expense on the CalCap Loan for the twelve months ended December 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 at year end on the Company's bank credit lines as of December 31, 2024 and December 31, 2023.

## NOTE 4 — Secured Subordinated Convertible Notes Payable

On August 31, 2020, the Company completed a secured subordinated convertible note financing of $1,530,000. The funds raised are used to increase the Company's working capital balances. The notes had a three-year term that accrues interest at 10% per annum and matured 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. In February 2021, two noteholders elected to convert the note principal of $130,000 into shares of the Company's common stock, reducing the outstanding notes balance to $1,400,000 as of December 31, 2024. The Company filed and caused it to be declared effective pursuant to the Securities Act of 1933, as amended, in November 2020, a Registration Statement to provide for resales of the shares of Common Stock issuable upon conversion of the Notes.

On November 16, 2022, the Company and the requisite noteholders executed a Secured Subordinated Convertible Note Extension Agreement, extending the maturity date from August 30, 2023, to August 30, 2024, with all other terms remaining unchanged. On May 1, 2024, the Company and the requisite noteholders extended the maturity date again, from August 30, 2024, to August 30, 2025, under the same terms. Due to the noteholders' ability to call the notes, the notes are presented as current liabilities.

On May 26, 2023, the Company completed a secured subordinated convertible note financing $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 it 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.

On August 21, 2024, the Company completed a secured subordinated convertible note financing of $1,000,000. The proceeds of 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 August 21, 2027. 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 August 21, 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 $0.9515 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 it to be declared effective pursuant to the Securities Act of 1933, as amended, in November 2024 a Registration Statement to provide for resales of the shares of Common Stock issuable upon conversion of the Notes.

Total amortization of debt discount related to all convertible notes was $8,761 and $25,473 for the year ended December 31, 2024 and 2023, respectively. As of December 31, 2024, the remaining debt discount balance was $31,576.

Total interest expenses recognized related to the convertible note were $336,491 and $262,102 for the years ended December 31, 2024 and 2023, respectively.

## NOTE 5 — Commitments and Contingencies

*Operating Lease Obligations*

In February 2022, the Company entered into a lease agreement for approximately 35,913 square feet at 40675 Encyclopedia Circle in Fremont, California. This location serves as the Company's Corporate Headquarters, including office space and manufacturing. The current monthly rent is $53,340.

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, extending it through the end of 2026, with lease payments discounted at an interest rate of 9.25%.

As of December 31, 2024, the balances of right-of-use assets and liabilities were approximately $2.60 million and $2.82 million, respectively, compared to approximately $3.09 million and $3.29 million, respectively, on December 31, 2023.

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 $646,726 and $648,434 for the twelve-month periods ended December 31, 2024 and 2023, respectively.

Cash payments included in the measurement of our existing operating lease liabilities were $638,148 and $622,243 for the twelve-month periods ended December 30, 2024 and 2023, respectively.

Future minimum lease payments under the existing operating lease as of December 31, 2024 are shown below:

| Annual minimum payments: | Amount |
|---|---|
| 2025 | 657,164 |
| 2026 | 676,750 |
| 2027 | 692,644 |
| 2028 | 713,423 |
| Thereafter | 425,646 |
| Total minimum payments | 3,165,627 |
| Less: Present value factor | (348,966) |
| Total operating lease liabilities | 2,816,661 |
| Less: Current portion of operating lease | (532,027) |
| Long-term portion of operating lease | $ 2,284,634 |

*Purchase Commitments*

On December 31, 2024, the Company's non-cancelable purchase commitments for inventory to be used in the ordinary course of business during 2025 were approximately $6,159,000.

*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 6 — Stock-Based Compensation Plan

*Stock-Based Compensation Program*

The Company has one share-based compensation plan in effect for the two years presented: the 2004 Equity Incentive Plan (the "2004 Plan"). The plan allows for the grant of incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, and performance awards to employees, directors, and consultants. Stock options are granted at an exercise price per share equal to the fair market value per share of common stock on the date of grant. Restricted stocks are granted at zero cost. Vesting and exercise provisions are determined by the Board of Directors, with a maximum term of ten years. The 2004 Plan is set to terminate on April 23, 2034.

The 2004 Plan allows for an annual increase in the number of shares authorized under the plan to be added on the first day of each fiscal year equal to the least amount of 400,000 shares, 4% of the outstanding shares on that date, or an amount as determined by the Board of Directors. On January 1, 2025 and 2024, a total of 304,225 and 293,445 additional shares, respectively, became available for grant from the 2004 Plan.

*Stock-Based Compensation Information*

The stock-based compensation expense included in the Company's statements of income for the years ended December 31, 2024 and 2023, consisted of the following:

| | Years Ended December 31, | |
|---|---|---|
| Income Statement Classification | 2024 | 2023 |
| Cost of revenues | $ 119,872 | $ 137,116 |
| Research and development | $ 318,258 | $ 358,632 |
| Sales and marketing | $ 283,672 | $ 295,704 |
| General and administrative | $ 332,494 | $ 364,930 |
| | $ 1,054,296 | $ 1,156,382 |

As of December 31, 2024, the remaining unamortized stock-based compensation expense was $1,295,112 and is expected to be amortized over a weighted average period of 2.3 years.

**Stock Options –** Stock option awards have an exercise price equal to the closing price on the date of grant, expire ten years from the date of grant and vest over a four-year period at 25% per year. The Company calculates the value of each stock option grant, estimated on the date of grant, using binomial lattice option pricing model.

On June 25, 2024, the Company completed a one-time tender offer to exchange 613,936 stock options granted under its 2004 Equity Incentive Plan for current employees, executive officers, and directors. All surrendered options were cancelled as of the Exchange Offer's expiration on June 25, 2024. The Company granted new options to purchase an aggregate of 613,936 shares of common stock pursuant to the terms of the Exchange Offer and 2004 Equity Incentive Plan. These new options were priced at the closing market price of $1.1197 on June 25, 2024, with monthly vesting over 4 years and a 10-year expiration date of June 25, 2034. The Company's stockholders approved the stock option exchange program at the 2024 annual meeting on May 15, 2024. The Company accounted for the exchange as a modification of the options and calculated the incremental expense to be $187,117, which will amortized over the estimated life of the new options. Additionally, on June 26, 2024, the Company granted 75,000 stock options at a closing market price of $1.08. No stock options were granted during the corresponding period in 2023.

The weighted-average estimated fair value of stock options granted in 2024 was $0.7791, determined using a binomial lattice valuation model with the following weighted-average assumptions:

| | Years Ended December 31, 2024 | 2023 |
|---|---|---|
| Risk-free interest rate (%) | 4.24% | — |
| Dividend yield | — | — |
| Volatility factor | 106.88% | — |
| Expected option life (years) | 3.41 | — |

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant; the dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of grant; the expected life is based on historical and expected exercise behavior; and volatility is based on the historical volatility of the Company's stock price over the expected life of the option.

The table below presents the information related to stock option activity for the years ended December 31, 2024 and 2023:

| | Years Ended December 31, 2024 | 2023 |
|---|---|---|
| Total intrinsic value of stock options exercised | $ (23,688) | $ (11,982) |
| Cash received from stock option exercises | $ 23,750 | $ 212,815 |

The following summarizes stock option activity under the 2004 Plan as of and for the years ended December 31, 2024, and 2023:

| | Outstanding Options | | | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price Per Share | Remaining Contractual Term (in years) | Intrinsic Value |
| Balance as of December 31, 2022 | 1,296,722 | $ 2.93 | | |
| Granted | — | $ — | | |
| Exercised | (138,909) | $ 1.53 | | |
| Canceled | (6,698) | $ 1.46 | | |
| Balance as of December 31, 2023 | 1,151,115 | $ 3.11 | | |
| Granted | 688,936 | $ 1.12 | | |
| Exercised | (25,000) | $ 0.42 | | |
| Canceled | (684,791) | $ 0.13 | | |
| Balance as of December 31, 2024 | 1,130,260 | $ 1.93 | 7.33 | $ 20,142 |
| Exercisable | 509,875 | $ 2.86 | 4.75 | $ 20,142 |
| Unvested | 620,385 | $ 1.16 | 9.50 | $ 0 |

Stock options outstanding as of December 31, 2024 are summarized below:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Exercise Price |
| $0.95 - $1.10 | 94,000 | 8.67 | $ 1.08 | 94,000 | $ 1.08 |
| $1.12 - $1.25 | 613,349 | 9.50 | $ 1.12 | 613,349 | $ 1.12 |
| $1.50 - $1.98 | 82,325 | 4.25 | $ 1.90 | 82,325 | $ 1.90 |
| $2.00 - $2.27 | 33,500 | 0.25 | $ 2.21 | 33,500 | $ 2.21 |
| $2.32 - $2.36 | 96,148 | 4.67 | $ 2.32 | 96,148 | $ 2.48 |
| $2.40 - $2.71 | 19,000 | 4.08 | $ 2.48 | 19,000 | $ 3.85 |
| $2.74 - $2.75 | 38,600 | 1.25 | $ 2.75 | 38,600 | $ 2.75 |
| $2.82 - $2.95 | 38,551 | 4.42 | $ 2.93 | 38,551 | $ 2.93 |
| $3.04 - $3.29 | 12,000 | 7.50 | $ 3.05 | 12,000 | $ 3.05 |
| $3.45 - $3.88 | 17,000 | 1.92 | $ 3.81 | 17,000 | $ 3.81 |
| $4.22 - $6.90 | 40,787 | 3.50 | $ 4.45 | 40,787 | $ 4.45 |
| $7.20 - $33.75 | 45,000 | 6.33 | $ 8.58 | 45,000 | $ 8.58 |
| $0.95 - $33.75 | 1,130,260 | 7.33 | $ 2.86 | 1,130,260 | $ 1.93 |

**Restricted stock –** The Company issues restricted stocks to employees, consultants and directors, and holds shares of such stock in escrow until the shares vest, subject to the employees, consultants and directors being a continuing service provider on 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 stocks are granted at zero cost basis. Compensation cost of the shares of restricted stocks issued by the Company is recognized on a straight-line basis over the 4-year vesting period.

The following summarizes information related to restricted stock activity under the 2004 Plan for the years ended December 31, 2024 and 2023:

| | Number of Restricted Stocks | Weighted Average Price Per Share |
|---|---|---|
| Unvested as of December 31, 2022 | 844,976 | $ 2.84 |
| Granted | 463,720 | $ 2.30 |
| Vested | (286,062) | $ 2.02 |
| Forfeited | (31,435) | $ 2.66 |
| Unvested as of December 31, 2023 | 991,199 | $ 2.83 |
| Granted | 506,000 | $ 1.11 |
| Vested | (316,519) | $ 1.16 |
| Forfeited | (101,840) | $ 2.18 |
| Unvested as December 31, 2024 | 1,078,840 | $ 0.98 |

## NOTE 7 — Shares Reserved

Common stock reserved for future issuance was as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Stock option grants outstanding (see Note 6) | 1,130,260 | 1,151,115 |
| Secured subordinated convertible notes (see Note 4) | 3,203,906 | 2,152,934 |
| Stock warrants issued to SpringCard SAS (see Note 2) | 50,000 | 50,000 |
| Reserved for future grants | 417,099 | 459,950 |
| | 4,751,265 | 3,813,999 |

## NOTE 8 — Retirement Plan

The Company has a tax-deferred savings plan, the Socket Mobile, Inc. 401(k) Plan ("401(k) Plan"), for the benefit of qualified employees. The 401(k) Plan is designed to provide employees with an accumulation of funds at retirement. Qualified employees may elect to make contributions to the 401(k) Plan monthly. The Company provides a match to employees' 401(k) savings at 3% of employees' contribution, up to $100 per month. For the years ended December 31, 2024 and 2023, total company matching contributions amounted to $48,950 and $50,950, respectively. Administrative expenses relating to the 401(k) Plan are not significant.

## NOTE 9 — Income Taxes

The Company's entire pretax income / (loss) for the years ended December 31, 2024 and December 31, 2023 was from its U.S. domestic operations.

The components of income taxes for the periods ended December 31, 2024 and 2023 are as follows:

| | Years Ended December 31, 2024 | Years Ended December 31, 2023 |
|---|---|---|
| Current: | | |
| Federal | $ — | $ — |
| State | — | — |
| Total Current | — | — |
| Deferred: | | |
| Federal | (470,000) | (967,300) |
| State | (81,000) | (476,700) |
| Total Deferred | (551,000) | (1,444,000) |
| Income tax benefit | $ (551,000) | $ (1,444,000) |

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Income at US statutory rate | 21.0% | 21.0% |
| State taxes, net of federal benefit | 2.9% | 13.9% |
| Valuation allowance | 0.6% | 0.5% |
| Stock compensation | 2.4% | -0.8% |
| Tax credits | -0.6% | 0.3% |
| Other | -6.5% | 8.6% |
| Provision for taxes | 19.7% | 42.8% |

The principal components of deferred tax assets and (liabilities) are as follows for the period ended:

| | December 31, | |
|---|---|---|
| **Deferred tax assets:** | 2024 | 2023 |
| Net operating loss carryforwards | $ 6,189,000 | $ 6,201,000 |
| Tax credits | 879,000 | 891,000 |
| Accruals & reserves | 1,092,000 | 1,118,000 |
| Lease liabilities | 786,000 | 920,000 |
| Depreciation | (98,000) | 12,000 |
| Share-based compensation | 160,000 | 229,000 |
| Capitalized Research Costs | 2,805,000 | 2,078,000 |
| Total deferred tax assets | 11,813,000 | 10,449,000 |
| Valuation allowance | (430,000) | (446,000) |
| Net deferred tax assets | 11,383,000 | 11,003,000 |
| **Deferred tax liabilities:** | | |
| Amortization | 8,000 | (29,000) |
| ROU assets | (728,000) | (862,000) |
| Net deferred tax asset (liability) | $ 10,663,000 | $ 10,112,000 |

As of December 31, 2024, the Company had U.S. Federal net operating loss carryforwards of $23.3 million which includes $16.1 million that expire at various dates from 2025 through 2034, and $7.1 million that have an unlimited carryforward period. As of December 31, 2024, the Company had California net operating loss carryforwards of $18.7 million that will expire at various dates from 2030 through 2042.

As of December 31, 2024, the Company had U.S. Federal research and development credit carryforwards of $0.4 million that begin to expire at various dates through 2044. As of December 31, 2024, the Company had California research and development credit carryforwards of $0.6 million that have an unlimited carryforward period.

As of December 31, 2024, the Company is in a net deferred tax asset position. The deferred tax assets consist principally of net operating loss carryforwards. The future realization of the tax benefits from existing temporary differences and tax attributes ultimately depends on the existence of sufficient taxable income. In assessing the realization of the deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The

Company also considers past operating results, projected future taxable income, and tax planning strategies in making this assessment. As of December 31, 2024, after consideration of all available evidence, both positive and negative, the Company continues to maintain a valuation allowance against the Company's deferred tax assets for U.S. Federal R&D tax credits because they are more likely than not to expire unused. The net change in the total valuation allowance for the years ended December 31, 2024 and 2023 was an increase of $16,000 and a decrease of $20,000, respectively.

The future realization of the Company's net operating loss carryforwards and other tax attributes may also be limited by the change in ownership rules under the U.S. Internal Revenue Code Section 382. Under Section 382, if a corporation undergoes an ownership change (as defined), the corporation's ability to utilize its net operating loss carryforwards and other tax attributes to offset income may be limited. The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

| | Amount |
|---|---|
| Balance as of January 1, 2022 | $ 1,016,000 |
| Increases (decreases) for current year tax provisions | 24,000 |
| Increases (decreases) for prior year tax provisions | (31,000) |
| Decreases for expiration of statute of limitations | — |
| Settlements | — |
| Balance as of December 31, 2023 | 1,009,000 |
| Increases (decreases) for current year tax provisions | 13,000 |
| Increases (decreases) for prior year tax provisions | (25,000) |
| Decreases for expiration of statute of limitations | — |
| Settlements | — |
| Balance as of December 31, 2024 | $ 997,000 |

The Company files income tax returns in the U.S. federal jurisdiction and in California, and therefore subject to tax examination by couple taxing authorities. The Company is not currently under examination, and is not aware of any issues under review that could result in significant payments, accruals or material deviation from its tax positions. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service and state tax authorities to the extent utilized in a future period. As of December 31, 2024, the tax years from 2020 to present remain open to examination by relevant taxing jurisdictions to which the Company is subject. However, to the extent the Company utilizes net operating losses from years prior to 2020, the statute remains open to the extent of the net operating losses or other credits that are utilized.

The calculation and assessment of the Company's tax exposures generally involve the uncertainties in the application of complex tax laws and regulations for federal and state jurisdictions. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation, on the basis of the technical merits. As of December 31, 2024, and 2023, the Company had approximately $1.0 million of unrecognized tax benefits for both years. In addition, the Company believes it is reasonably possible that its unrecognized tax benefits will not change significantly within the next twelve months.

Additionally, as of December 31, 2024, and 2023, the Company has not accrued any interest and penalties related to its uncertain tax positions. The Company has elected to recognize accrued interest and penalties, if any, related to uncertain tax positions in tax expense in its financial statements.

**NOTE 10 — Subsequent Events**

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

Subsequent to December 31, 2024, 606,293 shares of restricted stocks were granted under 2004 Equity Incentive Plan at a market closing price of $1.4501 per share. These grants include annual refresher awards for continuing employees, weighted based on their level of responsibility and performance, initial grants for two newly hired employees, and grants for survivors of former employees.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

## Item 9A. 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 Annual Report on Form 10-K. 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.

*Management's Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurances with respect to financial statement preparation. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework* issued in 2013. This assessment included review of the documentation of controls, testing of operating effectiveness of controls and a conclusion on this assessment.

Based on our assessment using those criteria, we believe that, as of December 31, 2024, our internal control over financial reporting is effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which exempts non-accelerated filers from Section 404(b) of the Sarbanes-Oxley Act of 2002.

*Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the last fiscal quarter covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Item 9B. Other Information

None.

## Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

# PART III

## Item 10. Directors, Executive Officers and Corporate Governance

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with our annual meeting of stockholders to be held on June 4, 2025.

## Item 11. Executive Compensation

The information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with our annual meeting of stockholders to be held on June 4, 2025.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Certain information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with our annual meeting of stockholders to be held on June 4, 2025.

The following table provides information as of December 31, 2024 about our common stock that may be issued under the Company's existing equity compensation plans. For additional information about the stock-based compensation plans see Note 6, Stock-Based Compensation Plan, of the Notes to Financial Statements included in this Annual Report on Form 10-K .

| | Number of securities to be issued upon exercise of outstanding options | Weighted average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by security holders (1)............................ | 1,130,260 | $ 1.93 | 417,099 |

(1) Consists of the 2004 Equity Incentive Plan. Pursuant to an affirmative vote by security holders in June 2004, an annual increase in the number of shares authorized under the 2004 Equity Incentive Plan is added on the first day of each fiscal year equal to the least of (a) 400,000 shares, (b) four percent of the total outstanding shares of the Company's common stock on that date, or (c) a lesser amount as determined by the Board of Directors. As a result, a total of 304,225 shares became available for grant under the 2004 Equity Incentive Plan on January 1, 2025, in addition to those set forth in the table above.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with our annual meeting of stockholders to be held on June 4, 2025.

## Item 14. Principal Accounting Fees and Services

Certain information required hereunder is incorporated by reference from our Proxy Statement to be filed in connection with our annual meeting of stockholders to be held on June 4, 2025.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report:

1. All financial statements.

| INDEX TO FINANCIAL STATEMENTS | PAGE |
|---|---|
| Report of Independent Registered Public Accounting Firm | 28 |
| Balance Sheets | 31 |
| Statements of Income | 32 |
| Statements of Stockholders' Equity | 33 |
| Statements of Cash Flows | 34 |
| Notes to Financial Statements | 35 |

2. Financial statement schedules.
   All financial statement schedules are omitted because they are not applicable or not required or because the required information is included in the financial statements or notes herein.

3. Exhibits.
   See Index to Exhibits on page 58. The Exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

(b) Exhibits:

See Index to Exhibits on page 58. The Exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOCKET MOBILE, INC.
Registrant

Date: March 25, 2025

/s/ Kevin J. Mills
Kevin J. Mills
President and Chief Executive Officer

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

| | | |
|---|---|---|
| By /s/ Kevin J. Mills<br>Kevin J. Mills | President and Chief Executive Officer (Principal Executive Officer) and Director | March 25, 2025 |
| By /s/ Charlie Bass<br>Charlie Bass | Chairman of the Board | March 25, 2025 |
| By /s/ Lynn Zhao<br>Lynn Zhao | Vice President of Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer) and Director | March 25, 2025 |
| By /s/ Bill Parnell<br>Bill Parnell | Director | March 25, 2025 |
| By /s/ Ivan Lazarev<br>Ivan Lazarev | Director | March 25, 2025 |
| By /s/ Alexis Hartmann<br>Alexis Hartmann | Director | March 25, 2025 |

**Index to Exhibits**

| Exhibit Number | Description |
|---|---|
| 3.1 (1) | Amended and Restated Certificate of Incorporation. |
| 3.2 | Certificate of Amendment to the Restated Certificate, as filed June 20, 2013. |
| 3.3 (2) | Bylaws, as amended February 17, 2008. |
| 4.1 (3) | Form of Secured Subordinated Convertible Note issued August 31, 2020. |
| 4.2 (22) | Secured Subordinated Convertible Note Extension Agreement, effective as of November 16, 2022 |
| 4.3 (23) | Form of Secured Subordinated Convertible Note issued May 26, 2023. |
| 4.4 (24) | Secured Subordinated Convertible Note Extension Agreement, effective as of May 1, 2024 |
| 4.3 (25) | Form of Secured Subordinated Convertible Note issued August 21, 2024. |
| 10.1 (4)* | Form of Indemnification Agreement entered into between the Company and its directors and officers. |
| 10.2 (5)* | 2004 Equity Incentive Plan and forms of agreement thereunder. |
| 10.3 (6)* | Form of Management Incentive Variable Compensation Plan between the Company and certain eligible participants. |
| 10.4 (7) | Standard Industrial/Commercial Multi-Tenant Lease by and between Del Norte Farms, Inc. and the Company dated October 24, 2006 (assigned to Newark Eureka Industrial Capital, LLC September 17, 2007). |
| 10.5 (8) | Second Amendment to Standard Industrial/Commercial Multi-Lessee Lease – Net dated August 30, 2010. |
| 10.6 (9) | Third Amendment to Standard Industrial/Commercial Multi-Tenant Lease – Net dated December 28, 2012. |
| 10.7 (10) | Warrants for the Purchase of Shares of Common Stock Issued November 19, 2010 to the Investor and the Placement Agent in connection with a private placement. |

| | |
|---|---|
| 10.8 (11) | Loan and Security Agreement dated February 27, 2014 by and between the Company and Bridge Bank, National Association. |
| 10.9 (12) | Form of Employment Agreement dated May 1, 2017 between the Company and the officers of the Company. |
| 10.10 (13) | Business Financing Modification Agreement dated February 26, 2016 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.11 (14) | Business Financing Modification Agreement dated March 20, 2017 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.12 (15) | Business Financing Modification Agreement dated January 31, 2018 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.13 (16) | Tender Offer Statement to purchase up to 1,250,000 shares of common stock at a price not greater than $4.25 nor less than $3.75 per share. |
| 10.14 (17) | Business Financing Modification Agreement dated June 4, 2018 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.15 (18) | Business Financing Modification Agreement dated January 8, 2020 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.16 (19) | Amended and Restated Business Financing Agreement dated January 29, 2021 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.17 | First Business Financing Modification Agreement dated February 9, 2022 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.18 (20) | Second Business Financing Modification Agreement and Waiver of Defaults dated January 25, 2023 by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 10.19 (21) | 2021 Technology Transfer Agreement, dated as of February 26, 2021, by and between the Company and SpringCard SAS |
| 10.20 | Third Business Financing Modification Agreement and Waiver of Defaults dated May 26, 2023, by and between the Company and Western Alliance Bank, an Arizona corporation. |
| 11.1 | Computation of Earnings per Share (see Statements of Operations in Item 8). |
| 14.1 (26) | Code of Business Conduct and Ethics. |
| 23.1 | Consent of Sadler Gibb & Associates, LLC, Independent Registered Public |

| | |
|---|---|
| | Accounting Firm. |
| 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 | Inline XBRL Document. |
| 104 | Cover Page Interactive Data File. |

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* Executive compensation plan or arrangement.

(1) Incorporated by reference to exhibits filed with the Company's Form 10-K filed on March 16, 2009

(2) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on February 20, 2008.

(3) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on September 1, 2020.

(4) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on March 8, 2012.

(5) Incorporated by reference to Appendix C filed with the Company's Form DEF 14A filed on April 29, 2004, Item 4 on Form 8-K filed on June 5, 2013 reporting extension of the Plan to April 23, 2024 and Item 3 on Form 8-K filed on June 15, 2022 reporting extension of the Plan to April 23, 2034.

(6) Incorporated by reference to Appendix B filed with the Company's Form DEF 14A filed on March 16, 2011.

(7) Incorporated by reference to exhibits filed with the Company's Form 10-Q filed on November 13, 2006.

(8) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on August 30, 2010.

(9) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on January 4, 2013.

(10) Incorporated by reference to exhibits filed with the Company's Form 8-K filed on November

19, 2010.

(11) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on March 7, 2014.

(12) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on May 4, 2017.

(13) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on March 3, 2016.

(14) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on March 21, 2017.

(15) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on February 2, 2018.

(16) Incorporated by reference to the Company’s Schedule TO filed on February 2, 2018.

(17) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on June 8, 2018.

(18) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on January 14, 2020.

(19) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on February 3, 2021.

(20) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on January 25, 2023.

(21) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on March 4, 2021.

(22) Incorporated by reference to exhibits filed with the Company’s Form 8-K filed on November 16, 2022.

(23) Incorporated by reference to exhibits filed with the Company’s Form 10-K filed on May 30, 2023.

(24) Incorporated by reference to exhibits filed with the Company’s Form 10-K filed on May 1, 2024.

(25) Incorporated by reference to exhibits filed with the Company’s Form 10-K filed on August 22, 2024.

(26) Incorporated by reference to exhibits filed with the Company's Form 10-K filed on March 10, 2006.

Exhibit 23.1

**Registered with the Public Company**
**Accounting Oversight Board**

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Socket Mobile, Inc. of our report dated March 25, 2025, relating to the financial statements of Socket Mobile, Inc. (the "Company") as of December 31, 2024 and 2023, and for the years then ended, included in this Annual Report (Form 10-K) for the years ended December 31, 2024 and 2023:

- Registration Statements on Form S-8 (Nos. 333-220043, 333-214612, 333-199599, 333-180055, 333-172950, 333-165984, 333-157975, 333-149688, 333-141587, 333-132345, and 333-123396) pertaining to the 2004 Equity Incentive Plan;
- Registration Statement on Form S-3 (No. 333-249873) pertaining to the 1,047,942 shares of common stock of the Company.
- Registration Statement on Form S-3 (No. 333-272454) pertaining to the 1,194,027 shares of common stock of the Company.
- Registration Statement on Form S-3 (No. 333-283136) pertaining to the 1,050,970 shares of common stock of the Company.

/s/ Sadler, Gibb & Associates, LLC

Draper, UT
March 25, 2025

Exhibit 31.1

**CERTIFICATION**

I, Kevin J. Mills, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 25, 2025

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

Exhibit 31.2

# CERTIFICATION

I, Lynn Zhao, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 25, 2025

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

Exhibit 32.1

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 Annual Report of Socket Mobile, Inc. on Form 10-K for the year ended December 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 Annual Report on Form 10-K 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: March 25, 2025

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 Annual Report of Socket Mobile, Inc. on Form 10-K for the year ended December 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 Annual Report on Form 10-K 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: March 25, 2025