

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2023

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: 000-53316

SOBR SAFE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of
Incorporation or Organization)

26-0731818

(I.R.S. Employer
Identification No.)

**6400 S. Fiddlers Green Circle,
Suite 1400 Greenwood Village, Colorado**

(Address of Principal Executive Offices)

80111

(Zip Code)

Registrant's telephone number, including area code (844) 762-7723

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|-----------------------------------|--------------------------|--|
| Common Stock, \$0.00001 par value | SOBR | The Nasdaq Market (Nasdaq) |

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

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

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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated Filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 8, 2023, there were 18,544,570 shares of common stock, \$0.00001 par value, issued and outstanding.

SOBR SAFE, INC.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are based on management’s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning our possible or assumed future results of operations set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements also include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider,” or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions. Our future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

PART I – FINANCIAL INFORMATION

ITEM 1 Condensed Consolidated Financial Statements

The condensed consolidated balance sheets as of September 30, 2023, and December 31, 2022, the condensed consolidated statements of operations for the three and nine months ended September 30, 2023, and 2022, the condensed consolidated statements of changes in stockholders' equity for the three and nine months ended September 30, 2023, and 2022, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2023, and 2022, follow. The unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal and recurring nature.

SOBR SAFE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| | (Unaudited) | (Audited) |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 4,124,569 | \$ 8,578,997 |
| Accounts receivable, net | 25,734 | 30,322 |
| Inventory | 267,214 | 215,493 |
| Prepaid expenses | 297,639 | 200,905 |
| Other current assets | 2,675 | - |
| Total current assets | 4,717,831 | 9,025,717 |
| Operating lease right-of-use assets, net | 295,993 | - |
| Intellectual technology, net | 2,569,795 | 2,858,893 |
| Other assets | 43,163 | 27,427 |
| Total Assets | \$ 7,626,782 | \$ 11,912,037 |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 249,019 | \$ 142,965 |
| Accrued expenses | 405,453 | 392,282 |
| Accrued interest payable | 94,858 | 469,691 |
| Related party payables | - | 1,887 |
| Operating lease liabilities, current portion | 93,775 | - |
| Notes payable - related parties, net | 11,810 | 866,262 |
| Notes payable - non-related parties, net | 175,695 | 948,597 |
| Total current liabilities | 1,030,610 | 2,821,684 |
| Operating lease liabilities - less current portion | 229,204 | - |
| Notes payable - non-related parties, net - less current portion | 2,160,855 | - |
| Accrued interest payable | 91,082 | - |
| Total Liabilities | 3,511,751 | 2,821,684 |
| Stockholders' Equity | | |
| Preferred stock, \$0.00001 par value; 16,300,000 shares authorized, no shares issued or outstanding at September 30, 2023 and December 31, 2022 | - | - |
| Series A Convertible Preferred stock, \$0.00001 par value; 3,000,000 shares authorized, no shares issued or outstanding at September 30, 2023 and December 31, 2022 | - | - |
| Series A-1 Convertible Preferred stock, \$0.00001 par value; 2,700,000 shares authorized, no shares issued or outstanding at September 30, 2023 and December 31, 2022 | - | - |
| Series B Convertible Preferred stock, \$0.00001 par value; 3,000,000 shares authorized, none and 3,000,000 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | - | 30 |
| Common stock, \$0.00001 par value; 100,000,000 shares authorized, 18,544,570 and 16,984,570 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | 185 | 170 |
| Treasury stock, at cost; 12,329 shares at September 30, 2023 and December 31, 2022 | (38,015) | (38,015) |
| Additional paid-in capital | 89,430,821 | 87,509,666 |
| Accumulated deficit | (85,224,294) | (78,327,845) |
| Total SOBR Safe, Inc. stockholders' equity | 4,168,697 | 9,144,006 |
| Noncontrolling interest | (53,666) | (53,653) |
| Total Stockholders' Equity | 4,115,031 | 9,090,353 |
| Total Liabilities and Stockholders' Equity | \$ 7,626,782 | \$ 11,912,037 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|---|---|------------------------|--|------------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenues | \$ 36,274 | \$ 9,734 | \$ 121,743 | \$ 12,734 |
| Cost of goods and services | 20,195 | 4,950 | 66,835 | 6,050 |
| Gross profit | 16,079 | 4,784 | 54,908 | 6,684 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 1,358,749 | 1,732,382 | 4,843,082 | 3,953,961 |
| Stock-based compensation expense | 509,999 | 594,763 | 1,836,674 | 2,272,826 |
| Research and development | 214,374 | 459,847 | 588,467 | 992,491 |
| Total operating expenses | 2,083,122 | 2,786,992 | 7,628,223 | 7,219,278 |
| Loss from operations | (2,067,043) | (2,782,208) | (7,213,315) | (7,212,594) |
| Other income (expense): | | | | |
| Other income, net | 48,677 | 1,292 | 179,734 | 217,722 |
| Gain (loss) on debt extinguishment, net | - | - | (26,125) | 245,105 |
| Gain on fair value adjustment – derivatives, net | - | - | - | 1,040,000 |
| Interest expense | (179,014) | (317,774) | (613,324) | (3,146,987) |
| Total other expense, net | (130,337) | (316,482) | (459,715) | (1,644,160) |
| Loss before provision for income taxes | (2,197,380) | (3,098,690) | (7,673,030) | (8,856,754) |
| Provision for income taxes | - | - | - | - |
| Net loss | (2,197,380) | (3,098,690) | (7,673,030) | (8,856,754) |
| Net loss attributable to noncontrolling interest | 4 | 4 | 13 | 13 |
| Net loss attributable to SOBR Safe, Inc. | (2,197,376) | (3,098,686) | (7,673,017) | (8,856,741) |
| Deemed dividends related to warrant down round provisions | - | (8,501,440) | - | (8,501,440) |
| Net loss attributable to common stockholders | \$ (2,197,376) | \$ (11,600,126) | \$ (7,673,017) | \$ (17,358,181) |
| Basic and diluted loss per common share | \$ (0.12) | \$ (1.06) | \$ (0.43) | \$ (1.82) |
| Weighted average number of common shares outstanding | 18,544,570 | 10,973,759 | 18,004,790 | 9,516,637 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

| | Common Stock | | Preferred Stock | | Treasury Stock | | Additional Paid-in Capital | Accumulated Deficit | Stockholders' | Noncontrolling Interest | Total |
|---|--------------|------------------------------|-----------------|------------------------------|----------------|---------------------|----------------------------------|------------------------|---|----------------------------|---------------------|
| | Shares | Amount (\$0.00001 Par) | Shares | Amount (\$0.00001 Par) | Shares | Amount (at cost) | | | Equity (Deficit) SOBR Safe, Inc. | | Equity (Deficit) |
| Balances at January 1, 2022 | 8,778,555 | \$ 88 | - | \$ - | - | \$ - | \$57,041,447 | \$ (57,471,492) | \$ (429,957) | \$ (53,636) | \$ (483,593) |
| Common stock issued for restricted stock units | 16,667 | - | - | - | - | - | - | - | - | - | - |
| Common stock issued for convertible debt | 7,917 | - | - | - | - | - | 47,500 | - | 47,500 | - | 47,500 |
| Common stock exchanged for convertible preferred stock | (1,000,000) | (10) | 3,000,000 | 30 | - | - | (20) | - | - | - | - |
| Stock-based compensation | - | - | - | - | - | - | 934,225 | - | 934,225 | - | 934,225 |
| Paid-in capital - relative fair value of stock warrants granted | - | - | - | - | - | - | 864,000 | - | 864,000 | - | 864,000 |
| Net loss | - | - | - | - | - | - | - | (5,569,679) | (5,569,679) | (4) | (5,569,683) |
| Balances at March 31, 2022 | 7,803,139 | \$ 78 | 3,000,000 | \$ 30 | - | \$ - | \$58,887,152 | \$ (63,041,171) | \$ (4,153,911) | \$ (53,640) | \$ (4,207,551) |
| Common stock and warrants issued in public equity offering, net of issuance costs | 2,532,942 | 24 | - | - | - | - | 8,694,339 | - | 8,694,363 | - | 8,694,363 |
| Additional common stock issued upon reverse stock split | 1,012 | - | - | - | - | - | - | - | - | - | - |
| Common stock issued for professional services | 800,000 | 8 | - | - | - | - | 718,992 | - | 719,000 | - | 719,000 |
| Common stock issued for restricted stock units vested | 16,666 | - | - | - | - | - | - | - | - | - | - |
| Stock-based compensation | - | - | - | - | - | - | 761,437 | - | 761,437 | - | 761,437 |
| Net loss | - | - | - | - | - | - | - | (188,376) | (188,376) | (5) | (188,381) |
| Balances at June 30, 2022 | 10,973,759 | \$ 110 | 3,000,000 | \$ 30 | - | \$ - | \$69,044,321 | \$ (63,229,547) | \$ 5,814,914 | \$ (53,645) | \$ 5,761,269 |
| Common stock issued in financing transaction, net of | 1,925,677 | 19 | - | - | - | - | 5,130,754 | - | 5,130,773 | - | 5,130,773 |

| | | | | | | | | | | | | |
|--|-------------------|---------------|------------------|--------------|-----------------|-------------------|---------------------|------------------------|---------------------|--------------------|-----------|---------------------|
| issuance costs | | | | | | | | | | | | |
| Stock-based compensation | - | - | - | - | - | - | 594,763 | - | 594,763 | - | - | 594,763 |
| Deemed dividends related to warrant round provisions | - | - | - | - | - | - | 8,501,440 | (8,501,440) | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | (3,098,686) | (3,098,686) | (4) | - | (3,098,690) |
| Balances at September 30, 2022 | 12,899,436 | \$ 129 | 3,000,000 | \$ 30 | - | \$ - | \$83,271,278 | \$ (74,829,673) | \$ 8,441,764 | \$ (53,649) | \$ | \$ 8,388,115 |
| Balances at January 1, 2023 | 16,984,570 | \$ 170 | 3,000,000 | \$ 30 | (12,329) | \$(38,015) | \$87,509,666 | \$ (78,327,845) | \$ 9,144,006 | \$ (53,653) | \$ | \$ 9,090,353 |
| Cumulative effect of adopting ASU 2020-06 | - | - | - | - | - | - | (909,214) | 776,568 | (132,646) | - | - | (132,646) |
| Common stock issued for services | 225,000 | 2 | - | - | - | - | 211,498 | - | 211,500 | - | - | 211,500 |
| Warrants issued for services | - | - | - | - | - | - | 162,481 | - | 162,481 | - | - | 162,481 |
| Stock-based compensation | - | - | - | - | - | - | 698,913 | - | 698,913 | - | - | 698,913 |
| Paid in capital - relative fair value of stock warrants granted, net of issuance costs | - | - | - | - | - | - | 398,517 | - | 398,517 | - | - | 398,517 |
| Net loss | - | - | - | - | - | - | - | (2,601,687) | (2,601,687) | (5) | - | (2,601,692) |
| Balances at March 31, 2023 | 17,209,570 | \$ 172 | 3,000,000 | \$ 30 | (12,329) | \$(38,015) | \$88,071,861 | \$ (80,152,964) | \$ 7,881,084 | \$ (53,658) | \$ | \$ 7,827,426 |
| Conversion of preferred stock to common stock | 1,000,000 | 10 | (3,000,000) | (30) | - | - | 20 | - | - | - | - | - |
| Common stock issued for restricted stock units vested | 185,000 | 2 | - | - | - | - | (2) | - | - | - | - | - |
| Common stock issued upon conversion of convertible debt | 150,000 | 1 | - | - | - | - | 221,181 | - | 221,182 | - | - | 221,182 |
| Stock-based compensation | - | - | - | - | - | - | 627,762 | - | 627,762 | - | - | 627,762 |
| Net loss | - | - | - | - | - | - | - | (2,873,954) | (2,873,954) | (4) | - | (2,873,958) |
| Balances at June 30, 2023 | 18,544,570 | \$ 185 | - | \$ - | 12,329 | \$(38,015) | \$88,920,822 | \$ (83,026,918) | \$ 5,856,074 | \$ (53,662) | \$ | \$ 5,802,412 |
| Stock-based compensation | - | - | - | - | - | - | 509,999 | - | 509,999 | - | - | 509,999 |
| Net loss | - | - | - | - | - | - | - | (2,197,376) | (2,197,376) | (4) | - | (2,197,380) |
| Balances at September 30, 2023 | 18,544,570 | \$ 185 | - | \$ - | (12,329) | \$(38,015) | \$89,430,821 | \$ (85,224,294) | \$ 4,168,697 | \$ (53,666) | \$ | \$ 4,115,031 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For The Nine Months Ended | |
|---|----------------------------------|---------------------|
| | September 30, | |
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Operating Activities: | | |
| Net loss | \$ (7,673,030) | \$ (8,856,754) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of intangible assets | 289,098 | 289,098 |
| Amortization of debt discounts | 417,647 | 2,043,288 |
| (Gain) loss on extinguishment of debt | 26,125 | (245,105) |
| Change in fair value of derivative liability | - | (1,040,000) |
| Stock-based compensation expense | 1,836,674 | 2,272,826 |
| Non-cash interest expense | 29,638 | - |
| Non-cash lease expense | 34,714 | - |
| Bad debt expense | 1,132 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 3,456 | (8,484) |
| Inventory | (51,721) | (157,303) |
| Prepaid expenses | 571,129 | 375,001 |
| Other assets | (18,411) | 3,149 |
| Accounts payable | 106,054 | (149,145) |
| Accrued expenses | 13,171 | 1,027,548 |
| Accrued interest payable | (281,079) | 172,343 |
| Related party payables | (1,887) | (60,976) |
| Common stock payable | - | 70,500 |
| Operating lease liabilities | (7,728) | - |
| Net cash used in operating activities | (4,705,018) | (4,264,014) |
| Financing Activities: | | |
| Proceeds from notes payable - non-related parties | 3,000,001 | - |
| Repayments of notes payable - non-related parties | (1,211,661) | (145,932) |
| Repayments of notes payable - related parties | (1,000,000) | - |
| Debt issuance costs | (537,750) | - |
| Proceeds from public equity offering | - | 10,004,264 |
| Cost of public equity offering | - | (1,309,882) |
| Proceeds from private equity offering | - | 5,997,854 |
| Cost of private equity offering | - | (867,100) |
| Repayments of convertible debenture payable | - | (3,048,781) |
| Net cash provided by financing activities | 250,590 | 10,630,423 |
| Net Change in Cash | (4,454,428) | 6,366,409 |
| Cash at the Beginning of the Period | 8,578,997 | 882,268 |
| Cash at the End of the Period | \$ 4,124,569 | \$ 7,248,677 |
| Schedule of Non-Cash Investing and Financing Activities: | | |
| Issuance of common stock and warrants for prepaid services | \$ 373,981 | \$ - |
| Non-related party debt converted to capital | \$ 341,998 | \$ 47,500 |
| Operating lease right-of-use assets and liabilities | \$ 330,707 | \$ - |
| Financing of prepaid insurance premiums | \$ 293,882 | \$ (274,589) |
| Conversion of preferred stock to common stock | \$ 30 | \$ - |
| Conversion of common stock to preferred stock | \$ - | \$ 30 |
| Derecognition of convertible debenture | \$ - | \$ 3,048,781 |
| Reacquisition value of convertible debenture | \$ - | \$ (3,912,781) |
| Fair value of shares issued for services | \$ - | \$ (719,000) |
| Deemed dividends related to warrant down round provisions | \$ - | \$ 8,501,440 |
| Reclassification of common shares from reverse stock split | \$ - | \$ 155 |
| Supplemental Disclosure: | | |
| Cash paid for interest | \$ 446,069 | \$ 15,986 |
| Cash paid for income taxes | \$ - | \$ - |

The accompanying notes are an integral part of the condensed consolidated financial statements.

SOBR SAFE, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023

NOTE 1. ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SOBR Safe, Inc., a Delaware corporation, (the “Company”, “we”, “us”, and “our”) is a hardware and software company headquartered in Greenwood Village, Colorado. Our Company integrates proprietary software, SOBRsafe™, with our patented touch-based alcohol detection products, SOBRcheck™ and SOBRsure™, enabling non-invasive alcohol detection, biometric identity verification, and real-time cloud-based alerts and reporting. Currently our principal markets are in North America.

On May 16, 2022, our common stock began trading on the Nasdaq exchange under the ticker symbol “SOBR.” Prior to this, our common stock was quoted on the “OTCQB” tier of the OTC Markets, also under the ticker symbol “SOBR.”

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles (“GAAP”) as promulgated in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). These unaudited condensed consolidated financial statements and the notes thereto should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2022, included in the Company’s Annual Report on Form 10-K filed with the SEC on March 31, 2023.

In management’s opinion, the unaudited condensed consolidated financial statements reflect all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the Company’s financial position as of September 30, 2023 and December 31, 2022, its results of operations for the three and nine-month periods ended September 30, 2023 and 2022, and its cash flows for the nine-month periods ended September 30, 2023 and 2022.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, TransBiotech-CA, of 98.6%. We have eliminated all intercompany transactions and balances between entities consolidated in these unaudited condensed consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, such estimates were made by the Company for the recoverability and useful lives of long-lived and intangible assets including the intellectual technology, stock-based compensation and the valuation allowance related to deferred tax assets. Actual results could differ from those estimates.

Financial Instruments

The Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable, accrued expenses, accrued interest payable, related party payables, notes payable, and other liabilities. The Company believes that the recorded values of our financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

At September 30, 2023 and December 31, 2022, the Company did not have financial instruments requiring valuation from observable or unobservable inputs to determine fair value on a recurring basis.

Cash

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents. The Company does not have any cash equivalents at September 30, 2023 and December 31, 2022.

Accounts Receivable

Customer accounts are monitored for potential credit losses based upon management's assessment of expected collectability and the allowance for doubtful accounts is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which the Company is aware regarding a customer's inability to meet its financial obligations to the Company, and any potential prevailing economic conditions and their impact on the Company's customers. The Company had an allowance for doubtful accounts of \$982 at September 30, 2023. The Company had no allowance for doubtful accounts at December 31, 2022.

Inventory

Inventory is comprised of component parts and finished product and is valued at the lower of cost or net realizable value. The cost of substantially all the Company's inventory is determined by the FIFO cost method. The Company evaluates the valuation of inventory and periodically adjusts the value for estimated excess based upon estimates of future demand and market conditions, and obsolete inventory based upon otherwise damaged or impaired goods. The Company had no reserves for excess inventory or obsolescence at September 30, 2023 and December 31, 2022.

Prepaid Expenses

Amounts incurred in advance of contractual performance or coverage periods are recorded as prepaid assets and recognized as expense in the period service or coverage is provided.

Beneficial Conversion Features

As discussed under "Recently Adopted Accounting Standards" in Note 1, the Company adopted ASU 2020-06 effective January 1, 2023, which, among other things, eliminated the beneficial conversion feature model applicable to certain convertible instruments. Prior to the adoption of ASU 2020-06, a beneficial conversion feature existed on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of the warrants, if related warrants have been granted. The intrinsic value of the beneficial conversion feature was recorded as a debt discount with a corresponding amount to additional paid-in capital. The debt discount was amortized to interest expense over the life of the note using the effective interest method.

Derivative Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date. For derivative financial instruments that are accounted for as liabilities, the derivative instruments are initially recorded at their fair values and are then re-valued at each reporting date, with changes in the fair value reported in the unaudited condensed consolidated statements of operations under other income (expense).

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of debt are capitalized and amortized to interest expense over the term of the debt using the effective interest method. The unamortized amount is presented as a reduction of debt on the condensed consolidated balance sheets.

Preferred Stock

Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. The Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, as temporary equity. At all other times, the Company classifies preferred shares in stockholders' equity.

Noncontrolling Interest

A subsidiary of the Company has minority members representing ownership interests of 1.4% at September 30, 2023 and December 31, 2022. The Company accounts for this noncontrolling interest whereby gains and losses in a subsidiary with a noncontrolling interest are allocated to the noncontrolling interest based on the ownership percentage of the noncontrolling interest, even if that allocation results in a deficit noncontrolling interest balance.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangibles held for use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or if changes in facts and circumstances indicate, an impairment loss is recognized and measured using the asset's fair value. No impairment loss was recognized during the nine-month periods ended September 30, 2023 and 2022.

Revenue Recognition

The Company enters into contracts with customers and generates revenue through various combinations of software products and services which include the sale of cloud-based software solutions, detection and data collection hardware devices, and cloud-based data reporting and analysis services. Depending on the combination of products and services detailed in the respective customer contract, the identifiable components may be highly interdependent and interrelated with each other such that each is required to provide the substance of the value of the Company's offering and accounted for as a combined performance obligation, or the specific components may be generally distinct and accounted for as separate performance obligations. Revenue is recognized when control of these software products and/or services are transferred to the customer in an amount that reflects the consideration the Company expects to be entitled in exchange for these respective services and devices.

The Company determines revenue recognition through five steps which include (1) identification of the contract or contracts with a customer, (2) identification of individual or combined performance obligations contained in the contract, (3) determination of the transaction price detailed within the contract, (4) allocation of the transaction price to the specific performance obligations, and (5) finally, recognition of revenue as the Company's performance obligations are satisfied according to the terms of the contract.

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Contracts with a Single License/Service Performance Obligation

For contracts with a single performance obligation consisting of a license and/or data services, the entire transaction price is allocated to the single performance obligation. Where the Company provides a performance obligation as licensed software or data services, revenue is recognized upon delivery of the software or services ratably over the respective term of the contract.

Contracts for Purchase of Hardware Devices Only

Where hardware devices are sold separately by the Company, the entire transaction price is allocated to the device as an individual performance obligation and revenue is recognized at a point in time when either legal title, physical possession or the risks and rewards of ownership have transferred to the customer. Generally, these requirements are satisfied at the point in time the Company ships the product, as this is when the customer obtains control of the asset under the Company's standard terms and conditions of the purchase.

Contracts with Multiple Performance Obligations

Where a Company's contract with a respective customer contains multiple performance obligations and due to the interdependent and interrelated nature of the licensed software, hardware devices and data reporting services, the Company accounts for the individual performance obligations if they are distinct in nature and the transaction price is allocated to each distinct performance obligations on a directly observable standalone sales price basis. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. Standalone selling prices are primarily based upon the price at which the performance obligation is sold separately. The Company may be able to establish a standalone sales price based upon observable products or services sold or priced separately in comparable circumstances, competitor pricing or similar customers. Where the performance obligations are either not distinct or directly observable, the Company estimates the standalone sales price of the performance obligations based upon the overall pricing objectives taking into consideration the value of the contract arrangement, number of licenses, number and types of hardware devices and the length of term of the contract. Professional judgement may be required to determine the standalone sales price for each performance obligation where not directly observable. Revenue for contracts with multiple performance obligations is recognized on a ratable basis for each respective performance obligation as allocated under the prescribed transaction price identification model applied.

The Company requires customers to make payments related to subscribed software licenses and data services on a monthly basis via authorized bank account ACH withdrawal or an automatic credit card charge during the approved term of the respective agreement. The collectability of future cash flows is reasonably assured with any potential non-payment easily identified with future services being discontinued or suspended due to non-payment.

The Company's contracts are generally twelve to thirty-six months in duration, are billed monthly and are non-cancelable. The timing of revenue recognition may differ from the timing of invoicing to customers. The Company generally has an unconditional right to consideration when customers are invoiced and a receivable is recorded. A contract asset (unbilled revenue) is recognized when revenue is recognized prior to invoicing, or a contract liability (deferred revenue) when revenue will be recognized subsequent to invoicing.

The Company has elected to charge shipping, freight and delivery to customers as a source of revenue to offset respective costs when control has transferred to the customer.

The Company reports revenue net of sales and other taxes collected from customers to be remitted to government authorities.

Estimated costs for the Company's standard one-year warranty are charged to cost of goods and services when revenue is recorded for the related product. Royalties are also charged to cost of goods and services.

Leases

The Company determines if an arrangement is or contains a lease at inception. Leases with an initial term of twelve months or less are considered short-term leases and are not recognized on the Company's consolidated balance sheets. Right-of-use ("ROU") assets and lease liabilities are recognized on the consolidated balance sheets for leases with an expected term greater than twelve months. Operating lease ROU assets represent our right to use an underlying asset over the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at inception based on the present value of lease payments over the lease term. When the rate implicit in the lease is not determinable, the Company uses its estimated secured incremental borrowing rate in determining the present value of lease payments. The lease expense for fixed lease payments is recorded on a straight-line basis over the lease term and variable lease payments are included in the lease expense when the obligation for those payments is incurred. The Company has elected not to separate lease and non-lease components.

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Stock-based Compensation

The Company uses the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants, options, and restricted stock units). The fair value of each warrant and option is estimated on the date of grant using the Black-Scholes options pricing model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on weighted averages of the historical volatility of the Company's common stock estimated over the expected term of the awards. The expected term of options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of a restricted stock unit equals the closing price of our common stock on the trading day of the grant date.

Research and Development

Research and development costs are expensed as incurred. The Company incurred research and development costs as it acquired new knowledge to bring about significant improvements in the functionality and design of its products.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations as incurred. Advertising and marketing costs were \$158,412 and \$75,147 during the nine-month periods ended September 30, 2023 and 2022, respectively. Advertising and marketing costs were \$61,396 and \$29,628 during the three-month periods ended September 30, 2023 and 2022, respectively.

Income Tax

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company has not recorded any deferred tax assets or liabilities at September 30, 2023 and December 31, 2022 as these have been offset by a 100% valuation allowance.

Loss Per Share

Basic loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period, including stock options, warrants and convertible instruments. Diluted net loss per share excludes all potentially issuable shares if their effect is anti-dilutive. Because the effect of the Company's dilutive securities is anti-dilutive, diluted net loss per share is the same as basic loss per share for the periods presented.

Concentrations

Credit Risk – Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company maintains its cash at two domestic financial institutions. The Company is exposed to credit risk in the event of a default by the financial institutions to the extent that cash balances are in excess of the amount insured by the Federal Deposit Insurance Corporation of up to \$250,000 per institution. The Company places its cash with high-credit quality financial institutions and is managed within established guidelines to mitigate risk. To date, the Company has not experienced any loss on its cash.

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Concentration of Customers – To date, the Company’s sales have been made to a limited number of customers. Should the Company continue to conduct sales to a limited number of customers and remain highly concentrated, revenue may experience significant period to period shifts and may decline if the Company were to lose one or more of its customers, or if the Company were unable to obtain new customers.

Concentration of Suppliers – The Company relies on a limited number of component and contract suppliers to assemble its product. If supplier shortages occur, or quality problems arise, production schedules could be significantly delayed or costs could significantly increase, which could in turn have a material adverse effect on the Company’s financial condition, results of operations and cash flows.

Related Parties

Related parties are any entities or individuals that, through employment, ownership, or other means, possess the ability to direct or cause the direction of the management and policies of the Company.

Recently Adopted Accounting Standards

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”) which simplifies the accounting for convertible instruments by eliminating the beneficial conversion and cash conversion accounting models. In addition, ASU 2020-06 removes certain settlement conditions required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share calculation in certain areas.

The Company early adopted ASU 2020-06 effective January 1, 2023 using the modified retrospective method whereby the cumulative effect of the change is recognized as an adjustment to the opening balance of retained earnings at the date of adoption. On January 1, 2023, the Company recorded an increase to retained earnings (accumulated deficit) of \$776,569 and a decrease to additional paid-in capital of \$909,214 to fully remove the unamortized debt discount related to beneficial conversion features of \$132,646.

The Company has reviewed other recently issued, but not yet effective, accounting pronouncements and does not believe the future adoptions of any such pronouncements will be expected to cause a material impact on its financial condition or the results of operations.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current period presentation. None of these reclassifications had a material impact on the condensed consolidated financial statements.

NOTE 2. GOING CONCERN

The Company has incurred recurring losses from operations and has limited cash liquidity and capital resources to meet future capital requirements. The Company’s ability to meet future capital requirements will depend on many factors, including the Company’s ability to sell and develop products, generate cash flow from operations, and assess competing market developments. The Company may need additional capital sources in the near future. Sources of debt financing may result in high interest expense. Any financing, if available, may be on unfavorable terms. If adequate funds are not available or obtained, the Company may be required to reduce or curtail operations.

As of September 30, 2023, the Company has an accumulated deficit of approximately \$85,225,000. The Company continues to experience negative cash flows from operating activities of approximately \$4,705,000 during the nine months ended September 30, 2023. It appears these principal conditions or events, considered in the aggregate, indicate it is probable that the Company will be unable to meet its obligations as they become due within one year after the date the financial statements are issued. As such, there is substantial doubt about the entity’s ability to continue as a going concern.

Management believes that cash balances of approximately \$4,125,000 and positive working capital of \$3,687,000 at September 30, 2023 do not provide adequate operating capital for operating activities for the next twelve months after the date these financial statements are issued. However, management believes actions presently being taken to generate product and services revenues, and positive cash flows, in addition to the Company’s plans and ability to access capital sources and implement expense reduction tactics to preserve working capital provide the opportunity for the Company to continue as a going concern as of September 30, 2023. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before September 30, 2023. As such, substantial doubt about the entity’s ability to continue as a going concern has not been alleviated as of September 30, 2023.

NOTE 3. INVENTORY

Inventory consists of the following:

| | September 30, 2023 | December 31, 2022 |
|------------------|-----------------------|----------------------|
| Component parts | \$ 127,999 | \$ 68,643 |
| Finished goods | 139,215 | 146,850 |
| Inventory | \$ 267,214 | \$ 215,493 |

NOTE 4. PREPAID EXPENSES

Prepaid expenses consist of the following:

| | September 30, 2023 | December 31, 2022 |
|-------------------------|-----------------------|----------------------|
| Insurance | \$ 244,901 | \$ 150,344 |
| Deposit | - | 15,736 |
| Other | 52,738 | 34,825 |
| Prepaid expenses | \$ 297,639 | \$ 200,905 |

A portion of the prepaid insurance premiums were financed under agreements as described in Note 8.

NOTE 5. LEASES

The Company leases its corporate headquarters office space and certain office equipment under arrangements classified as operating leases.

The Company entered into its lease agreement to rent office space for a twelve-month period beginning July 1, 2022 with a monthly base rent of \$9,744. The lease did not contain renewal options and was considered a short-term lease at inception. In April 2023, the Company executed an amendment to extend the term of the lease from July 1, 2023 through September 30, 2026. The amended lease provides for monthly base rent of \$9,744 through September 2024, with fixed escalating monthly base rent for each year thereafter, and no rent due for the months of July through September 2023.

The Company determined that the amendment results in a lease modification that is not accounted for as a separate contract. Further, due to the extension of the lease term beyond the initial twelve months, the office lease can no longer be considered a short-term lease. The Company has recorded a right-of-use asset and lease liability as of April 17, 2023 (the effective date of the amendment) based on the modified terms and conditions of the amended lease.

The Company entered into a lease agreement for copier equipment in June 2023, requiring monthly lease payments of \$329 through May 2026.

For the nine-month period ended September 30, 2023, total operating lease expense was \$130,346, which included \$17,094 of variable lease expense and \$65,375 of short-term lease expense. For the three-month period ended September 30, 2023, total operating lease expense was \$31,710, which included \$2,786 of variable lease expense. For the three and nine-month periods ended September 30, 2022, total operating lease expense was \$45,688 and \$110,465, respectively, all of which was short-term lease expense.

Operating lease obligations recorded on the condensed consolidated balance sheet at September 30, 2023 are as follows:

| | |
|--|-------------------|
| Operating lease liabilities, current portion | \$ 93,775 |
| Operating lease liabilities - less current portion | 229,204 |
| Total Operating Lease Liabilities | \$ 322,979 |

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Future lease payments included in the measurement of operating lease liabilities on the condensed consolidated balance sheet at September 30, 2023 are as follows:

| | | |
|--|-----------|----------------|
| 2023 | \$ | 30,219 |
| 2024 | | 121,831 |
| 2025 | | 125,644 |
| 2026 | | 95,063 |
| Total future minimum lease payments | | 372,757 |
| Less imputed interest | | (49,778) |
| Total Operating Lease Liabilities | \$ | 322,979 |

The weighted average remaining lease term is 36 months, and the weighted average discount rate is 10%.

NOTE 6. INTANGIBLE ASSETS

Intangible assets include the Company's intellectual technology and consist of the following:

| | September 30, 2023 | December 31, 2022 |
|--------------------------------|-----------------------|----------------------|
| Gross carrying amount | \$ 3,854,675 | \$ 3,854,675 |
| Accumulated amortization | (1,284,880) | (995,782) |
| Intangible assets, net | \$ 2,569,795 | \$ 2,858,893 |
| Amortization period (in years) | 10 | 10 |

Amortization expense was \$289,098 for each of the nine-month periods ended September 30, 2023 and 2022 and \$96,366 for each of the three-month periods ended September 30, 2023 and 2022 and is included in selling, general, and administrative expenses in the condensed consolidated statements of operations.

As of September 30, 2023, estimated future amortization expense for device technology intangible assets is as follows:

| 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter |
|-----------|------------|------------|------------|------------|------------|
| \$ 96,366 | \$ 385,464 | \$ 385,464 | \$ 385,464 | \$ 385,464 | \$ 931,573 |

NOTE 7. RELATED PARTY TRANSACTIONS

On March 1, 2022 the Board of Directors approved the designation of 3,000,000 shares of the Company's Preferred Stock as "Series B Convertible Preferred Stock". The Series B Convertible Preferred Stock shares were issued in exchange for 333,333 shares of the Company's common stock held by the Company's CEO David Gandini and 666,667 shares of the Company's common stock held by IDTEC SPV, LLC, an entity controlled by a beneficial owner of the Company (see Note 10). On April 20, 2023 the 3,000,000 Series B Convertible Preferred shares were converted to 1,000,000 shares of the Company's common stock at the option of the preferred stockholders. Neither the exchange nor the conversion resulted in the transfer of value.

NOTE 8. NOTES PAYABLE**RELATED PARTIES**

Notes payable to related parties consist of the following:

| | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|------------------------------|
| Convertible Notes Payable with Warrants - 2021 Debt Offering | \$ - | \$ 1,000,000 |
| Non-Convertible Note Payable | 11,810 | 11,810 |
| Unamortized Debt Discount | - | (145,548) |
| Net Related Party Notes Payable | 11,810 | 866,262 |
| Current Portion | (11,810) | (866,262) |
| Net Long-Term Portion | \$ - | \$ - |

Total interest expense for related party notes was \$90,338 and \$463,736 for the nine-month periods ended September 30, 2023 and 2022, respectively. Total interest expense for related party notes was none and \$156,274 for the three-month periods ended September 30, 2023 and 2022, respectively.

Related Party Convertible Notes Payable with Warrants - 2021 Debt Offering

During March, April, and May 2021, as a part of a 2021 Debt Offering, the Company issued thirteen convertible notes payable to related parties with principal balances totaling \$1,000,000. The notes, secured by the Company's patents and patent applications, were convertible into the Company's common stock at \$9 per share, and were due 24 months after issuance. Each of the notes was issued with detached free-standing warrants to purchase the Company's common stock at \$9 per share. The notes included interest at 12% which the noteholders could elect to have paid in cash monthly or have the interest accrue and be payable on the maturity date, if not sooner converted.

The Company evaluated the convertible notes payable for embedded derivatives and beneficial conversion features and determined that there were beneficial conversion features to record. The total beneficial conversion feature debt discount of \$448,999 is amortized over the life of the convertible notes payable. The debt discount amortization expense is recorded as amortization of interest – beneficial conversion features in the condensed consolidated statements of operations and was none and \$167,913 for the nine-month periods ended September 30, 2023 and 2022, respectively, and was none and \$56,586 for the three-month periods ended September 30, 2023 and 2022, respectively. The unamortized debt discount related to the beneficial conversion feature was \$66,843 at December 31, 2022. This balance was eliminated upon adoption of ASU 2020-06 effective January 1, 2023 (see Note 1).

At the time of issuance, a portion of the proceeds from the 2021 Debt Offering was allocated to the stock warrants based on their relative fair value, resulting in a debt discount of \$551,001 which was amortized over the life of the notes. Amortization of the debt discount related to the stock warrants is recorded as interest expense and was \$62,837 and \$206,070 for the nine-month periods ended September 30, 2023 and 2022, respectively, and was none and \$69,441 for the three-month periods ended September 30, 2023 and 2022, respectively.

The Company fully repaid the remaining principal and accrued interest on the notes in March and April 2023. A portion of the notes were repaid prior to their stated maturities in April and May 2023. As a result, the Company recorded a loss on debt extinguishment of \$15,868 equal to the remaining unamortized debt discount on the notes at the time of repayment.

Related Party Non-Convertible Note Payable

The Company has one non-convertible note payable to a related party that has a principal balance of \$11,810 as of September 30, 2023 and December 31, 2022. The note carries an interest rate of 0%. The note payable had a due date of December 31, 2012 and is currently in default.

NON-RELATED PARTIES

Notes payable to non-related parties consist of the following:

| | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|------------------------------|
| Convertible Notes Payable with Warrants - 2023 Debt Offering | \$ 3,219,725 | \$ - |
| Convertible Notes Payable with Warrants - 2021 Debt Offering | - | 1,005,000 |
| Convertible Notes Payable | 9,183 | 9,183 |
| Non-Convertible Notes Payable | 17,500 | 17,500 |
| Premium Financing Notes Payable | 149,012 | 61,792 |
| Unamortized Debt Discount | (1,058,870) | (144,878) |
| Net Non-Related Party Notes Payable | 2,336,550 | 948,597 |
| Current Portion | (175,695) | (948,597) |
| Net Long-Term Portion | \$ 2,160,855 | \$ - |

Total interest expense for non-related party notes was \$522,042 and \$475,801 for the nine-month periods ended September 30, 2023 and 2022, respectively. Total interest expense for non-related party notes was \$178,699 and \$161,186 for the three-month periods ended September 30, 2023 and 2022, respectively.

Convertible Notes Payable with Warrants - 2023 Debt Offering

On March 7, 2023, the Company entered into a Debt Offering (the “2023 Debt Offering”) pursuant to a Purchase Agreement (the “Agreement”) and Registration Rights Agreement with institutional investors. The 2023 Debt Offering closed on March 9, 2023. The 2023 Debt Offering includes 15% Original Issue Discount Convertible Notes (the “Notes”) and Common Stock Purchase Warrants (the “Warrants”). Under the terms of the Agreement, the Company received \$3,000,001 from the Purchasers and in exchange issued the Notes in principal amounts of \$3,529,412 and Warrants to purchase up to 386,998 shares of the Company’s common stock. The Notes are convertible voluntarily by the Purchaser at any time the principal amounts are outstanding into shares of our common stock at a conversion price \$2.28. The Notes are due March 10, 2025, and accrue interest quarterly at 5% per annum. The accrued interest is payable by way of inclusion in the convertible amount and is compounded quarterly. The Warrants are exercisable at any time through March 9, 2028, into shares of the Company’s common stock at an exercise price of \$2.52 per share. The Company received approximately \$2,500,000 of net proceeds from the 2023 Debt Offering after offering-related costs.

On May 10, 2023, noteholders elected to convert a total of \$341,999 (the “Conversion Amount”) pertaining to the 2023 Debt Offering into 150,000 shares of the Company’s common stock at \$2.28 per share. As provided for in the Agreement, the Conversion Amount included original Note principal of \$309,688, as well as accrued interest of \$32,311.

Convertible Notes Payable with Warrants - 2021 Debt Offering

During March, April, and May 2021, as part of a 2021 Debt Offering, the Company issued sixteen convertible notes payable to non-related parties with principal balances totaling \$1,005,000. The notes, secured by the Company’s patents and patent applications, were convertible into the Company’s common stock at \$9 per share, and were due 24 months after issuance. Each of the notes was also issued with detached free-standing warrants to purchase the Company’s common stock at \$9 per share. The notes included interest at 12% which the noteholders could elect to have paid in cash monthly or have the interest accrue and be payable on the maturity date, if not sooner converted.

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The Company evaluated the convertible notes payable for embedded derivatives and beneficial conversion features and determined that there were beneficial conversion features to record. The total beneficial conversion feature debt discount of \$460,215 is amortized over the life of the convertible notes payable. The debt discount amortization expense is recorded as amortization of interest – beneficial conversion features in the condensed consolidated statements of operations and was none and \$173,353 for the nine-month periods ended September 30, 2023 and 2022, respectively, and was none and \$59,245 for the three-month periods ended September 30, 2023 and 2022, respectively. The unamortized debt discount related to the beneficial conversion feature was \$65,803 at December 31, 2022. This balance was eliminated upon adoption of ASU 2020-06 effective January 1, 2023 (see Note 1).

At the time of issuance, a portion of the proceeds from the 2021 Debt Offering was allocated to the stock warrants based on their relative fair value, resulting in a debt discount of \$541,707 which was amortized over the life of the notes. Amortization of the debt discount related to the stock warrants is recorded as interest expense and was \$68,818 and \$202,584 for the nine-month periods ended September 30, 2023 and 2022, respectively, and was none and \$68,270 for the three-month periods ended September 30, 2023 and 2022, respectively.

The Company fully repaid the remaining principal and accrued interest on the notes in March and April 2023. A portion of the notes were repaid prior to their stated maturities in April and May 2023. As a result, the Company recorded a loss on debt extinguishment of \$10,257 equal to the remaining unamortized debt discount on the notes at the time of repayment.

Convertible Notes Payable

The Company has two convertible notes payable to a non-related entity with principal balances totaling \$9,183 as of September 30, 2023 and December 31, 2022. The notes bear interest at 12% and are convertible into shares of the Company's common stock at \$32.29 per share. The notes were due in February and March 2013 and are currently in default.

Non-Convertible Notes Payable

The Company has two non-convertible notes payable to non-related parties with principal balances totaling \$17,500 as of September 30, 2023, and December 31, 2022. These notes carry interest rates ranging from 9% - 10% and have due dates ranging from December 2013 to November 2015. The notes are currently in default.

Premium Financing Notes Payable

On May 25, 2022, the Company entered into a financing agreement for payment of its annual insurance premiums for coverage from May 2022 through May 2023 totaling \$349,455. The financing agreement required an initial down payment of \$74,866 with the remaining amount of \$274,589 financed for a nine-month period at an annual interest rate of 4.37% with monthly payments of \$31,068 beginning in June 2022. The note was paid in full in February 2023.

On June 15, 2023, the Company entered into a financing agreement for payment of its annual insurance premiums for coverage from May 2023 through May 2024 totaling \$367,352. The financing agreement required an initial down payment of \$73,470 with the remaining amount of \$293,882 financed for an eight-month period at an annual interest rate of 8.49% with monthly payments of \$37,914 beginning in June 2023.

NOTE 9. COMMON STOCK

The Company's common stock transactions for the nine months ended September 30, 2023 consist of the following:

The Company issued 225,000 shares of common stock to a consultant for investor relations services to be provided over a six-month period.

The Company issued 185,000 shares of its common stock for RSUs vested in April and June 2023.

The Company issued 150,000 shares of its common stock upon conversion of a portion of the Notes issued in the 2023 Debt Offering.

The Company exchanged 3,000,000 shares of Series B Convertible Preferred Stock with related parties for 1,000,000 shares of common stock (see Notes 7 and 10).

NOTE 10. PREFERRED STOCK

On November 20, 2015, the Company's Board of Directors authorized a class of stock designated as preferred stock with a par value of \$0.00001 per share comprising 25,000,000 shares, 3,000,000 shares of which were classified as Series A Convertible Preferred Stock. In each calendar year, the holders of the Series A Convertible Preferred Stock are entitled to receive, when, as and if, declared by the Board of Directors, out of any funds and assets of the Company legally available, non-cumulative dividends, in an amount equal to any dividends or other Distribution on the common stock in such calendar year (other than a Common Stock Dividend). No dividends (other than a Common Stock Dividend) shall be paid and no distribution shall be made with respect to the common stock unless dividends shall have been paid or declared and set apart for payment to the holders of the Series A Convertible Preferred Stock simultaneously. Dividends on the Series A Convertible Preferred Stock shall not be mandatory or cumulative, and no rights or interest shall accrue to the holders of the Series A Convertible Preferred Stock by reason of the fact that the Company shall fail to declare or pay dividends on the Series A Convertible Preferred Stock, except for such rights or interest that may arise as a result of the Company paying a dividend or making a distribution on the common stock in violation of the terms. The holders of each share of Series A Convertible Preferred Stock then outstanding shall be entitled to be paid, out of the Available Funds and Assets, and prior and in preference to any payment or Distribution (or any setting part of any payment or Distribution) of any Available Funds and Assets on any shares of common stock, and equal in preference to any payment or Distribution (or any setting part of any payment or Distribution) of any Available Funds and Assets on any shares of any other series of preferred stock that have liquidation preference, an amount per share equal to the Original Issue Price of the series A Convertible Preferred Stock plus all declared but unpaid dividends on the Series A Convertible Preferred Stock. A reorganization, or any other consolidation or merger of the Company with or into any other corporation, or any other sale of all or substantially all of the assets of the Company, shall not be deemed a liquidation, dissolution, or winding up of the Company. Shares of the Series A Convertible Preferred Stock are convertible at a 35% discount rate to the average closing price per share of the Company's common stock (either as listed on a national exchange or as quoted over-the-market) for the last 15 trading days immediately prior to conversion. However, no conversions of the Series A Convertible Preferred Stock to shares of common stock can occur unless the average closing price per share of the Company's common stock (either as listed on a national exchange or as quoted over-the-market) for the last 15 trading days immediately prior to conversion is at least \$5.01. The shares of Series A Convertible Preferred Stock vote on a one for one basis. The right of conversion is limited by the fact the holder of the Series A Convertible Preferred Stock may not convert if such conversion would cause the holder to beneficially own more than 4.9% of the Company's common stock after giving effect to such conversion.

On December 9, 2019, the Company's Board of Directors created a class of preferred stock designated as 8% Series A-1 Convertible Preferred Stock comprising of 2,000,000 shares. During 2020, the authorized shares were increased to 2,700,000 shares. The rights and preferences of the 8% Series A-1 Convertible Preferred Stock are as follows: (a) dividend rights of 8% per annum based on the original issuance price of \$1 per share, (b) liquidation preference over the Company's common stock, (c) conversion rights into shares of the Company's common stock at \$3 per share, (d) redemption rights such that we have the right, upon 30 days written notice, at any time after one year from the date of issuance, to redeem all or part of the Series A-1 Convertible Preferred Stock for 150% of the original issuance price, (e) no call rights by the Company, and (f) each share of Series A-1 Convertible Preferred Stock will vote on an "as converted" basis.

On March 1, 2022 the Board of Directors approved the designation of 3,000,000 shares of the Company's Preferred Stock as Series B Convertible Preferred Stock. The rights and preferences of the Series B Convertible Preferred Stock are as follows: (a) dividends shall not be mandatory or cumulative, (b) liquidation preference over the Company's common stock at an amount per share equal to the original issue price of the Series B Convertible Preferred Stock plus all accrued but unpaid dividends on the Series B Convertible Preferred Stock, (c) each three shares of Series B Convertible Preferred Stock shall be convertible, at the option of the holder, beginning on the date that is six months from the date the Holder acquired the shares of Series B Convertible Preferred Stock, and without the payment of additional consideration by the holder, into one share of common stock, (d) no redemption rights by the Company, (e) no call rights by the Company, and (f) each share of Series B Convertible Preferred Stock will vote on an "as converted" basis.

On March 1, 2022, the 3,000,000 Series B Convertible Preferred shares were issued in exchange for 333,333 shares of the Company's common stock held by the Company's CEO David Gandini and 666,667 shares of the Company's common stock held by IDTEC SPV, LLC, an entity controlled by a beneficial owner of the Company. The Company entered into the Share Exchange Agreements to provide certain changes to its capital structure in connection with the underwriting offering and listing on Nasdaq. On April 20, 2023 the 3,000,000 Series B Convertible Preferred shares were converted back into 1,000,000 shares of the Company's common stock. Neither the exchange nor the conversion resulted in any value transfer.

NOTE 11. STOCK WARRANTS, STOCK OPTIONS AND RESTRICTED STOCK UNITS

The Company accounts for share-based compensation stock options and restricted stock units, and non-employee stock warrants, whereby costs are recorded based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, utilizing the Black-Scholes pricing or the Monte Carlo simulation option pricing models for stock options and warrants, and the closing price of our common stock on the grant date for restricted stock units. Unless otherwise provided for, the Company covers equity instrument exercises by issuing new shares.

Stock Warrants

On March 30, 2022, the Company issued warrants to purchase up to 101,626 shares of common stock at \$6 per share in exchange for a waiver of default penalties under the terms of a convertible debenture. The relative fair value of the warrants at the time of issuance was \$864,000. The exercise price on the warrants was reduced to \$1.35 per share in September 2022 in accordance with a down-round provision contained in the warrants. The warrants expire seven years after the date of issuance.

On May 18, 2022, the Company issued through an underwritten public offering 4,705,884 Offering Warrants, 424,116 Underwriter Warrants, and 141,177 Representative Warrants to purchase common stock of the Company at exercise prices of \$4.25, \$4.25 and \$5.3125 per share, respectively. The warrants expire five years from the date of issuance and were valued using the Monte Carlo simulation option pricing model at approximately \$5,700,000. The exercise price on the Offering Warrants and Underwriter Warrants was reduced to \$2.125 per share in September 2022 in accordance with a down-round provision contained in those warrants.

In January 2023, the Company entered into a consulting agreement for professional services to be provided over a 6-month period in exchange for the issuance of 225,000 common shares and 225,000 warrants to purchase shares of common stock at \$1.35 per share. The warrants expire three years from the date of issuance. The warrants were valued at \$162,481 using the Black-Scholes model on the date of issuance, which was recognized over the six-month term of the agreement.

On March 9, 2023, in conjunction with the 2023 Debt Offering (see Note 8), the Company issued a total of 386,998 warrants to purchase shares of common stock at \$2.52 per share. The warrants expire five years from the date of issuance. Total proceeds from the 2023 Debt Offering were allocated to the warrants based on their relative fair value, resulting in \$398,517 allocated to the warrants after issuance costs.

The fair values of stock warrants granted during the nine-month periods ended September 30, 2023 and 2022 were determined based on the following assumptions:

| | September 30, 2023 | September 30, 2022 |
|-------------------------|-----------------------|-----------------------|
| Exercise Price | \$ 1.35 - 2.52 | \$ 1.35 - 6.00 |
| Dividend Yield | 0% | 0% |
| Volatility | 162-209% | 110-160% |
| Risk-free Interest Rate | 4.56-4.73% | 2.45-3.88% |
| Expected Term | 1.5 - 2.5 Years | 3 - 7 Years |

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The following tables summarize the changes in the Company’s outstanding warrants during the nine-month periods ended September 30, 2023 and 2022:

| | Warrants Outstanding Number of Shares | Exercise Price Per Share | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|-------------------------------|--|--------------------------------|---|--|------------------------------|
| Balance at December 31, 2021 | 836,464 | \$ 1.50 – 9.00 | 3.04 Years | \$ 6.78 | \$ 1,784,838 |
| Warrants Granted | 13,315,461 | \$ 1.35 – 5.31 | - | \$ 1.94 | \$ 9,896,694 |
| Warrants Exercised | - | \$ - | - | \$ - | \$ - |
| Warrants Expired | - | \$ - | - | \$ - | \$ - |
| Balance at September 30, 2022 | <u>14,151,925</u> | \$ 1.35 – 9.00 | 5.66 Years | \$ 1.62 | \$ 14,934,593 |

| | Warrants Outstanding Number of Shares | Exercise Price Per Share | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|-------------------------------|--|--------------------------------|---|--|------------------------------|
| Balance at December 31, 2022 | 10,387,877 | \$ 1.35 – 9.00 | 5.11 Years | \$ 1.92 | \$ - |
| Warrants Granted | 611,998 | \$ 1.35 – 2.52 | - | \$ 2.09 | \$ - |
| Warrants Exercised | - | \$ - | - | \$ - | \$ - |
| Warrants Expired | (334,166) | \$ 9.00 | - | \$ 9.00 | \$ - |
| Balance at September 30, 2023 | <u>10,665,709</u> | \$ 1.35 – 5.31 | 4.48 Years | \$ 1.71 | \$ - |

Stock-Based Compensation

On October 24, 2019, the Company’s 2019 Equity Incentive Plan (the “Plan”) became effective authorizing 1,282,823 shares of the Company’s common stock for issuance as stock options and restricted stock units (“RSUs”) to employees, directors or consultants. The Plan provisions provide automatically increasing the shares authorized for issuance under the Plan on February 1st of each year by 5% of the total number of shares of common stock outstanding on December 31st of the preceding year. In January 2022 and June 2023, the stockholders approved amendments to increase the shares authorized under the Plan to 1,733,333 and 3,500,000 shares, respectively.

The Company generally determines the fair value of the share-based compensation expense on the grant date and recognizes the expense over the period of vesting or period that services will be provided.

Stock Options

At September 30, 2023 and December 31, 2022, the Company had outstanding stock options of 1,943,632 and 1,086,813, respectively, that were granted under the Plan. In addition, there were 16,769 stock options outstanding at September 30, 2023 and December 31, 2022 that were not granted under the Plan.

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In total for the nine months ended September 30, 2023 and 2022, the Company recorded \$1,298,979 and \$1,262,396, respectively, of share-based compensation expense related to stock options. In total for the three months ended September 30, 2023 and 2022, the Company recorded \$456,524 and \$335,940, respectively, of share-based compensation expense related to stock options. As of September 30, 2023, unrecognized compensation expense related to stock options was \$1,388,411 which will be recognized over a weighted average period of 21 months.

The weighted average grant date fair value per option granted during the nine-month periods ended September 30, 2023 and 2022 was \$1.88 and \$2.07, respectively. The fair value was estimated at the grant date using the Black-Scholes option pricing model and the following assumptions:

| | September 30, 2023 | September 30, 2022 |
|-------------------------|-----------------------|-----------------------|
| Exercise Price | \$ 1.36 – 2.32 | \$ 8.25 – 9.08 |
| Dividend Yield | 0% | 0% |
| Volatility | 143%-207% | 191%-192% |
| Risk-free Interest Rate | 4.09-4.69% | 0.78%-1.52% |
| Expected Term | 2.7 - 5.8 Years | 2.0 – 3.0 Years |

The following tables summarize the changes in the Company's outstanding stock options during the nine-month periods ended September 30, 2023 and 2022:

| | Options Outstanding Number of Shares | Exercise Price Per Share | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|-------------------------------|---|--------------------------------|---|--|------------------------------|
| Balance at December 31, 2021 | 1,053,356 | \$ 0.79 – 10.74 | 6.21 Years | \$ 3.39 | \$ 5,804,517 |
| Options Granted | 70,000 | \$ 8.25 – 9.08 | - | \$ 8.29 | \$ - |
| Options Exercised | - | \$ - | - | \$ - | \$ - |
| Options Expired/Forfeited | (21,667) | \$ 4.94 – 10.73 | - | \$ 9.33 | \$ - |
| Balance at September 30, 2022 | <u>1,101,689</u> | <u>\$ 0.79 – 10.30</u> | 5.28 Years | \$ 3.59 | \$ 559,146 |

| | Options Outstanding Number of Shares | Exercise Price Per Share | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|-------------------------------|---|--------------------------------|---|--|------------------------------|
| Balance at December 31, 2022 | 1,103,583 | \$ 0.79 - 9.30 | 5.33 Years | \$ 1.71 | \$ - |
| Options Granted | 875,000 | \$ 1.36 - 2.32 | - | \$ 2.26 | \$ - |
| Options Exercised | - | \$ - | - | \$ - | \$ - |
| Options Expired/Forfeited | (18,181) | \$ 2.11 | - | \$ - | \$ - |
| Balance at September 30, 2023 | <u>1,960,401</u> | <u>\$ 0.79 - 9.30</u> | 5.81 Years | \$ 1.94 | \$ - |

| | Options Outstanding Number of Shares | Exercise Price Per Share | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price Per Share | Aggregate Intrinsic Value |
|-----------------------------------|---|--------------------------------|---|--|------------------------------|
| Exercisable at December 31, 2022 | 930,573 | \$ 0.79 - 9.30 | 5.83 Years | \$ 1.60 | \$ - |
| Exercisable at September 30, 2023 | 1,338,912 | \$ 0.79 - 9.30 | 5.01 Years | \$ 1.81 | \$ - |

Restricted Stock Units

The Plan provides for the grant of RSUs. RSUs are settled in shares of the Company's common stock as the RSUs become vested.

The following tables summarize RSU activity under the Plan for the nine-month periods ended September 30, 2023 and 2022:

| | RSUs | Weighted Average Grant Date Fair Value Per Share | Weighted Average Vesting Period |
|--------------------------------|----------------|---|---------------------------------------|
| Unvested at December 31, 2021 | 133,585 | \$ 8.56 | 1.66 Years |
| Granted | 41,667 | \$ 6.92 | 0.96 Years |
| Cancelled | - | \$ - | - |
| Vested | (16,667) | \$ 7.50 | - |
| Unvested at September 30, 2022 | <u>158,585</u> | \$ 8.24 | 1.51 Years |

| | RSUs | Weighted Average Grant Date Fair Value Per Share | Weighted Average Vesting Period |
|--------------------------------|----------------|---|---------------------------------------|
| Unvested at December 31, 2022 | 380,000 | \$ 2.17 | 0.74 Years |
| Granted | - | \$ - | - |
| Cancelled | (80,000) | \$ 2.17 | 0.58 Years |
| Vested | (185,000) | \$ 2.17 | - |
| Unvested at September 30, 2023 | <u>115,000</u> | \$ 2.17 | 1.17 Years |

In total for the nine months ended September 30, 2023 and 2022, the Company recorded \$537,695 and \$1,010,430, respectively, in stock-based compensation expense related to RSUs. In total for the three months ended September 30, 2023 and 2022, the Company recorded \$53,475 and \$258,823, respectively, in stock-based compensation expense related to RSUs. As of September 30, 2023, total unrecognized compensation cost related to RSUs was \$53,475 which will be recognized over a period of three months.

Executive Officer Stock Options and RSUs

The Company had 980,705 and 537,371 outstanding stock options for executive officers as of September 30, 2023 and December 31, 2022, respectively, with exercise prices ranging from \$0.79 to \$2.39 per share.

The Company had 200,000 unvested RSUs for executive officers as of December 31, 2022, of which 150,000 vested and 50,000 were cancelled during the nine months ended September 30, 2023. There were no unvested RSUs for executive officers at September 30, 2023.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On December 6, 2006, Orange County Valet and Security Patrol, Inc. filed a lawsuit against the Company in Orange County California State Superior Court for Breach of Contract in the amount of \$11,164. A default judgment was taken against the Company in this matter. In mid-2013, we learned the plaintiffs perfected the judgment against the Company, but we have not heard from the plaintiffs. As of September 30, 2023 and December 31, 2022, the Company has accrued \$11,164 plus accrued interest of approximately \$20,000. In connection with the closing of our 2020 asset purchase transaction, in the event the Company is required to pay any money related to this lawsuit, the seller agreed to pay the amount for the Company in exchange for shares of our common stock.

In June 2023, the Company reached a settlement with a former employee for \$60,000. This amount was paid in July 2023.

NOTE 13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through November 8, 2023, which is the date the condensed consolidated financial statements were available to be issued and has determined that there are no material subsequent events that require recognition or disclosure in the accompanying condensed consolidated financial statements.

ITEM 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations

Disclaimer Regarding Forward Looking Statements

Our Management’s Discussion and Analysis of financial condition and results of operations contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission (“SEC”).

Although the forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Corporate Overview

On September 19, 2011, we, as Imagine Media, Ltd., a Delaware corporation, acquired approximately 52% of the outstanding shares of TransBiotec, Inc. (“TBT”), a California corporation, from TBT’s directors in exchange for 124,439 shares of our common stock. In January 2012, our Board of Directors amended our Certificate of Incorporation changing our name from Imagine Media, Ltd. to TransBiotec, Inc., and we acquired approximately 45% of the remaining outstanding shares of TBT in exchange for 109,979 shares of our common stock. With the acquisitions in September 2011 and January 2012 of TBT common stock, we own approximately 99% of the outstanding shares of TBT. As a result of the acquisitions, TBT’s business is our business, and, unless otherwise indicated, any references to “we” or “us” include the business and operations of TBT.

On March 9, 2020, our Board of Directors approved the amendment to our Certificate of Incorporation and stockholders holding 52% of our then outstanding voting stock approved an amendment to our Articles of Incorporation. The Certificate of Amendment to our Certificate of Incorporation was for the purpose of, among other things, changing our name from “TransBiotec, Inc.” to “SOBR Safe, Inc.” The Certificate of Amendment to our Certificate of Incorporation became effective with the State of Delaware on April 24, 2020.

Pursuant to approval of an application with Nasdaq to uplist our common stock to their exchange under the ticker symbol “SOBR,” our common stock began trading and quoted on the Nasdaq exchange on May 16, 2022. Prior to this uplist to the Nasdaq exchange, our common stock was quoted on the “OTCQB” tier of the OTC Markets under the ticker symbol “SOBR.”

Our corporate offices are located at 6400 South Fiddlers Green Circle, Suite 1400, Greenwood Village, Colorado 80111, telephone number (844) 762-7723.

The following discussion:

- o summarizes our plan of operation; and
- o analyzes our financial condition and the results of our operations for the nine months ended September 30, 2023.

This discussion and analysis should be read in conjunction with our financial statements included as part of this Quarterly Report on Form 10-Q, as well as our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Business Operations

We provide a non-invasive technology that quickly and safely identifies the presence of alcohol in individuals. This technology is integrated within our robust and scalable data platform, producing statistical and measurable user and business data. Our mission is to save lives, increase productivity, create significant economic benefits and positively impact behavior. To that end, we developed the scalable, patent-pending SOBRsafe™ software platform for non-invasive alcohol detection and identity verification, a solution that has applications in behavioral health, fleet & facility safety, youth drivers, and judicial markets.

SOBRcheck™ is our stationary identification and alcohol monitoring product. When installed, SOBRcheck™ enables a rapid, hygienic biometric finger scan to authenticate ID and determine the presence or absence of alcohol. The SOBRcheck™ product provides the administrator with real-time results, delivered securely, to manage their existing substance abuse policy more efficiently. Our device is meant to be a specific point in time, quick test for the presence of alcohol, with the results to be used as a complementary data source in support of the organization's alcohol policies. If alcohol is detected by the device, then our customers follow up in accordance with its own policies, which could include additional tests via a blood test or breathalyzer (we will not provide these devices). We will gather de-identified information regarding Pass/Fail tests for use in determining trends in a company and/or industry, etc., but such information does not include any specific data about the individual user, only whether a pass or fail result occurred.

Our second device, the SOBRsure™, is our transdermal, alcohol-detecting wearable wristband that uses the same SOBRsafe™ hardware/software technology platform for ongoing, real-time alcohol monitoring and GPS tracking. The primary intended applications include behavioral health, commercial fleets, and youth drivers. The wearable wristband is in commercial production and became available for sale in late September 2023.

Our SOBRsafe™ technology can also be deployed across numerous additional devices and form factors for various uses; among those we are currently exploring include possible integrations with existing telematics systems, and it could be licensed by non-competitive third parties.

Design, manufacturing, quality testing and distribution for all SOBRsafe™ devices takes place in the United States.

Our SOBRcheck™ and SOBRsure™ revenue model consists of two components: a hardware device purchase price and a recurring monthly SaaS subscription fee per user.

Business Outlook and Challenges

Our products continue to gain awareness and recognition through trade shows, media exposure, social media and product demonstrations. To generate sales, we have a three-part strategy: 1) direct sales, 2) distributors and sales agents and 3) licensing & integration. We currently employ highly experienced sales professionals and multiple targeted distributors and industry-expert sales agents actively introducing our solutions to established companies in drug and alcohol testing, behavioral health, justice, workplace, fleet, telematics, and oil and gas verticals. Finally, initial licensing & integration discussions are underway, and we anticipate hiring an expert in this field in 2024 to formulate and execute a global expansion plan.

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We anticipate that our outsourced manufacturers can adequately support an increase in sales for the foreseeable future. We expect that we will need to continue to evolve our products and software to meet diverse customer requirements across varied markets.

Since inception we have generated significant losses from operations and anticipate that we will continue to generate significant losses for the foreseeable future.

Management believes that cash balances of approximately \$4,125,000 and positive working capital of \$3,687,000 at September 30, 2023 do not provide adequate working capital for operating activities for the next twelve months after the date these financial statements are issued. However, management believes actions presently being taken to generate product and services revenues, and positive cash flows, in addition to the Company's plans and ability to access capital sources and implement expense reduction tactics to preserve working capital provide the opportunity for the Company to continue as a going concern as of September 30, 2023. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before September 30, 2023. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of September 30, 2023.

Additional capital may be required under the following circumstances: 1) accelerated customer acquisition increasing capital outlay, 2) advanced purchasing of materials, 3) acquisition of new technology, 4) potential acquisition of a key asset, and 5) global expansion.

Results of Operations for Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022**Summary of Results of Operations**

| | Three Months Ended September 30, | |
|--------------------------------------|---|-----------------------|
| | 2023 | 2022 |
| Revenues | \$ 36,274 | \$ 9,734 |
| Cost of goods and services | 20,195 | 4,950 |
| Gross profit | 16,079 | 4,784 |
| Operating expenses: | | |
| Selling, general, and administrative | 1,358,749 | 1,732,382 |
| Stock-based compensation expense | 509,999 | 594,763 |
| Research and development | 214,374 | 459,847 |
| Total operating expenses | 2,083,122 | 2,786,992 |
| Loss from operations | (2,067,043) | (2,782,208) |
| Other income (expense): | | |
| Other income, net | 48,677 | 1,292 |
| Interest expense | (179,014) | (317,774) |
| Total other expense, net | (130,337) | (316,482) |
| Net loss | <u>\$ (2,197,380)</u> | <u>\$ (3,098,690)</u> |

Operating Loss; Net Loss

Our operating loss decreased by \$715,165 from \$2,782,208 for the three months ended September 30, 2022 to \$2,067,043 for the three months ended September 30, 2023. The decrease in our operating loss for the three months ended September 30, 2023, compared to the same prior year period, is primarily a result of an overall decrease in our operating expenses of \$703,870 including decreases in selling, general, and administrative expense; stock-based compensation expense; and research and development expense.

Our net loss decreased by \$901,310 from \$3,098,690 for the three-month period ended September 30, 2022 to \$2,197,380 for the three-month period ended September 30, 2023. The decrease in our net loss is driven by a decrease in our operating loss of \$715,165 in addition to a decrease in other expense, net of \$186,145. The changes are detailed below.

Revenue

Revenues of \$36,274 for the three months ended September 30, 2023 have increased by \$26,540 as compared to the prior year period of \$9,734. This increase is primarily driven by increased sales of our SOBRcheck™ device of \$5,880 and an increase in recurring software subscription revenues of \$20,660.

Gross Profit

The cost of goods and services for the three months ended September 30, 2023 was \$20,195 resulting in a gross profit of \$16,079 and a gross margin of 44%. The cost of goods and services for the three months ended September 30, 2022 was \$4,950 resulting in a gross profit of \$4,784 and a gross margin of 49%. Due to the limited history of generating revenue, the gross profit and gross margin for the three months ended September 30, 2023 and 2022 may not be indicative of future planned or actual performance of the Company, its product lines or services.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses decreased by \$373,633 from \$1,732,382 for the three months ended September 30, 2022 to \$1,358,749 for the three months ended September 30, 2023. This decrease is primarily attributable to a decrease in professional services of \$729,086, partially offset by an increase in payroll and employee benefits expenses of \$366,986 from a planned increase in employee headcount.

Stock-Based Compensation Expense

The Company had stock-based compensation expense of \$509,999 for the three months ended September 30, 2023, compared to \$594,763 for the three months ended September 30, 2022, a decrease of \$84,764. Stock-based compensation expense is related to the issuance of common stock options and restricted stock units as compensation to certain consultants and employees which are recognized over the period of service. The decrease is mainly due to fewer restricted stock units outstanding during the three months ended September 30, 2023 compared to the same prior year period.

Research and Development

Research and development expenses decreased by \$245,473 from \$459,847 for the three months ended September 30, 2022 to \$214,374 for the three months ended September 30, 2023. The decrease in research and development is due to the Company finalizing development related to the SOBRsure™ device, which is now in commercial production.

Other Income, net

Other income, net increased by \$47,385 from \$1,292 for the three months ended September 30, 2022 to \$48,677 for the three months ended September 30, 2023. This increase is primarily due to higher interest earnings on cash deposits during the three months ended September 30, 2023 compared to the same period in the prior year.

Interest Expense

Interest expense decreased by \$138,760 from \$317,774 for the three months ended September 30, 2022 to \$179,014 for the three months ended September 30, 2023. This decrease is primarily due to \$115,831 included in interest expense for the three-month period ended September 30, 2022 for amortization of debt discounts related to beneficial conversion features associated with debt. The three months ended September 30, 2023 did not include any amortization of debt discounts related to beneficial conversion features due to the adoption of ASU 2020-06 effective January 1, 2023 which eliminated the concept of beneficial conversion features and the debt discounts previously recognized as a result.

*Results of Operations for Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022*Summary of Results of Operations

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------------------|
| | 2023 | 2022 |
| Revenues | \$ 121,743 | \$ 12,734 |
| Cost of goods and services | 66,835 | 6,050 |
| Gross profit | 54,908 | 6,684 |
| Operating expenses: | | |
| Selling, general, and administrative | 4,843,082 | 3,953,961 |
| Stock-based compensation expense | 1,836,674 | 2,272,826 |
| Research and development | 588,467 | 992,491 |
| Total operating expenses | 7,268,223 | 7,219,278 |
| Loss from operations | (7,213,315) | (7,212,594) |
| Other income (expense): | | |
| Other income, net | 179,734 | 217,722 |
| Gain (loss) on extinguishment of debt, net | (26,125) | 245,105 |
| Gain on fair value adjustment – derivatives, net | - | 1,040,000 |
| Interest expense | (613,324) | (3,146,987) |
| Total other expense, net | (459,715) | (1,644,160) |
| Net loss | <u>\$ (7,673,030)</u> | <u>\$ (8,856,754)</u> |

Operating Loss; Net Loss

Our operating loss increased slightly by \$721 from \$7,212,594 for the nine months ended September 30, 2022 compared to \$7,213,315 for the nine months ended September 30, 2023. The increase in our operating loss for the nine months ended September 30, 2023, compared to the same prior year period, is driven by an overall increase in our operating expenses of \$48,945, partially offset by an increase in gross profit of \$48,224.

Our net loss decreased by \$1,183,724 from \$8,856,754 for the nine months ended September 30, 2022 compared to \$7,673,030 for the nine months ended September 30, 2023. The decrease in our net loss is primarily due to a decrease in interest expense of \$2,533,663, partially offset by decreases in other income and gains recognized upon extinguishing debt and adjusting derivative liabilities to fair value. The changes are detailed below.

Revenue

During the nine months ended September 30, 2023, the Company increased revenues by \$109,009 to \$121,743 as compared to \$12,734 for same period in 2022. This increase during the nine months in 2023 is a result of an increase in sales of our SOBRcheckTM device of \$40,622 and an increase in recurring software subscription revenues of \$68,387 as compared to the prior year period.

Gross Profit

The cost of goods and services for the nine months ended September 30, 2023 was \$66,835 resulting in a gross profit of \$54,908 and a gross margin of 45%. The cost of goods and services for the nine months ended September 30, 2022 was \$6,050 resulting in a gross profit of \$6,684 and a gross margin of 52%. Due to the limited history of generating revenue, the gross profit and gross margins for the nine months ended September 30, 2023 and 2022 may not be indicative of future planned or actual performance of the Company, its product lines or services.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased by \$889,121, from \$3,953,961 for the nine months ended September 30, 2022 to \$4,843,082 for the nine months ended September 30, 2023. This increase is primarily due to an increase in payroll and employee benefits expenses of \$826,097 as a result of higher employee headcount during the nine months ended September 30, 2023. Other items contributing to the increase in selling, general, and administrative expenses include increases in insurance expense of \$130,485, marketing and business development expenses of \$83,265, travel-related expenses of \$79,010, and rental expense of \$19,776, offset by a decrease in professional, legal, and consulting services of \$366,986.

Stock-Based Compensation Expense

The Company had stock-based compensation expense of \$1,836,674 for the nine months ended September 30, 2023, compared to \$2,272,826 for the nine months ended September 30, 2022, a decrease of \$436,152. Stock-based compensation expense is related to the issuance of common stock options and restricted stock units as compensation to certain consultants and employees which are recognized over the period of service. The decrease is mainly due to several restricted stock units becoming fully vested in January 2023 and, as a result, only minimal expense was recognized for these restricted stock units during the nine months ended September 30, 2023 compared to the same prior year period.

Research and Development

Research and development expenses decreased by \$404,024 from \$992,491 for the nine months ended September 30, 2022 to \$588,467 for the nine months ended September 30, 2023. The decrease in research and development is due to the Company finalizing development related to the SOBRsureTM device during the nine months ended September 30, 2023, which is now in commercial production. This compared to research and development expense during the same period in the prior year related to the final development of both the SOBRsafeTM software platform and the SOBRcheckTM device, and the inception of research and development costs for the SOBRsureTM device.

Other Income, net

Other income, net decreased by \$37,988 from \$217,722 for the nine months ended September 30, 2022 to \$179,734 for the nine months ended September 30, 2023. For the nine months ended September 30, 2023, other income primarily consisted of interest earned on cash deposits. For the nine months ended September 30, 2022, other income primarily consisted of employee tax retention credits applied for and received under the CARES Act.

Gain (Loss) on Extinguishment of Debt, net

During the nine months ended September 30, 2023, we recorded a loss on extinguishment of debt of \$26,125 which related to the early payoff of convertible notes issued in 2021. During the nine months ended September 30, 2022, we recorded a net gain on extinguishment of debt of \$245,105 consisting of a \$1,109,195 net gain related to the payoff of a \$3,048,751 convertible debenture issued in 2021, offset by a net loss of \$864,000 recorded for a modification to the terms of the original warrants issued with the convertible debenture.

Fair Value Adjustment – Derivatives

Fair value adjustment – derivatives was a gain of \$1,040,000 for the nine-month period ended September 30, 2022, which was related to financial instruments issued in September 2021 that contained an embedded derivative liability component. We did not have any outstanding financial instruments that contained derivative liability components during the nine-month period ended September 30, 2023. The gain or loss related to the derivative instruments is affected by the price of our common stock.

Interest Expense

Interest expense decreased by \$2,533,663, from \$3,146,987 for the nine months ended September 30, 2022 to \$613,324 for the nine months ended September 30, 2023. This decrease is mainly due to a decrease in amortization of debt discounts of \$1,624,144. In addition, interest expense for the nine months ended September 30, 2022 included a one-time expense of \$914,634 to recognize default penalties on a convertible debenture payable.

Liquidity and Capital Resources for Nine Months Ended September 30, 2023 Compared to December 31, 2022**Introduction**

During the nine months ended September 30, 2023, we did not generate positive operating cash flows because of our operating losses. Future capital requirements will depend on many factors, including the Company's ability to sell and develop products, generate cash flow from operations, and assess competing market developments. The Company may need additional capital in the future. Our cash on hand as of September 30, 2023 was \$4,124,569 and our current normalized monthly operating cash flow burn rate is approximately \$500,000.

Management believes that cash balances and positive working capital at September 30, 2023 do not provide adequate operating capital for operating activities for the next twelve months after the date these financial statements are issued. However, management believes actions presently being taken to generate product and services revenues, and positive cash flows, in addition to the Company's plans and ability to access capital sources and implement expense reduction tactics to preserve working capital provide the opportunity for the Company to continue as a going concern as of September 30, 2023. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before September 30, 2023. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of September 30, 2023.

Our cash, current assets, total assets, current liabilities, and total liabilities as of September 30, 2023 and as of December 31, 2022, respectively, are as follows:

| | September 30, | December 31, | |
|---------------------------|----------------------|---------------------|----------------|
| | 2023 | 2022 | Change |
| Cash | \$ 4,124,569 | \$ 8,578,997 | \$ (4,454,428) |
| Total Current Assets | 4,717,831 | 9,025,717 | (4,307,886) |
| Total Assets | 7,626,782 | 11,912,037 | (4,285,255) |
| Total Current Liabilities | 1,030,610 | 2,821,684 | (1,791,074) |
| Total Liabilities | 3,511,751 | 2,821,684 | 690,068 |

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Our current assets and total assets decreased as of September 30, 2023, as compared to December 31, 2022, by approximately \$4.3 million primarily due to a decrease in our cash balances of approximately \$4.5 million, partially offset by an increase in prepaid insurance premiums of approximately \$95,000.

Our current liabilities decreased as of September 30, 2023, as compared to December 31, 2022, by approximately \$1.8 million. This decrease was primarily due to principal and interest payments of approximately \$2.4 million made in March and April 2023 to fully repay convertible notes issued in 2021. Current liabilities at December 31, 2022 included approximately \$2.1 million of principal, net of debt discounts, and accrued interest payable related to these 2021 convertible notes. The decrease in current liabilities as a result of paying off the 2021 convertible notes was partially offset by an increase in accounts payable of \$104,167 and an increase in the current portion of operating lease liabilities of \$93,775.

To repay all our obligations in full or in part when due, we will be required to generate adequate cash flow from operations or raise significant capital from other sources. There is no assurance, however, that we will be successful in these efforts.

Sources and Uses of Cash

Operating

We had net cash used in operating activities of \$4,705,018 for the nine months ended September 30, 2023, as compared to net cash used in operating activities of \$4,264,014 for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the net cash used in operating activities consisted primarily of our net loss of \$7,673,030, offset by non-cash items including amortization of intangibles of \$289,098, amortization of debt discounts of \$417,647, stock-based compensation expense of \$1,836,674, and other non-cash items totaling \$91,609, as well as changes in our assets and liabilities including changes in inventory of (\$51,721), prepaid expenses of \$571,129, accounts payable of \$106,054, accrued interest payable of (\$281,079), and other changes in our assets and liabilities totaling (\$11,399).

For the nine months ended September 30, 2022, the net cash used in operating activities consisted primarily of our net loss of \$8,856,754, offset by non-cash items including amortization of intangibles of \$289,098, amortization of debt discounts of \$2,043,288, gain on extinguishment of debt of (\$245,105), change in fair value of a derivative liability of (\$1,040,000), and stock-based compensation expense of \$2,272,826, as well as changes in our assets and liabilities including changes in accounts receivable of (\$8,484), inventory of (\$157,303), prepaid expenses of \$375,001, other assets of \$3,149, accounts payable of (\$149,145), accrued expenses of \$1,027,548, accrued interest payable of \$172,343, related party payables of (\$60,976), and common stock payable of \$70,500.

Investing

We had no cash provided by or used in investing activities during the nine-month periods ended September 30, 2023 and 2022.

Financing

During the nine months ended September 30, 2023, we received gross proceeds of \$3,000,001 from the issuance of convertible notes payable which was offset by issuance costs of \$537,750. We also repaid \$2,211,661 in principal on notes payable held by related and non-related parties.

During the nine months ended September 30, 2022, we received net proceeds of \$8,694,382 from our underwritten public financing and received net proceeds of \$5,130,754 from a private equity offering. In addition, we fully repaid the \$3,048,781 principal balance of a convertible debenture and repaid \$145,932 in principal on notes payable held by non-related parties.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of September 30, 2023 and December 31, 2022.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, revenue or operating results during the periods presented. However, continued increases in inflation could have an adverse effect on our results of operations, financial position, and liquidity in the future.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the period ended September 30, 2023, or subsequently thereto, that we believe are of potential significance to our financial statements.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4 Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including the chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

As of September 30, 2023, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer (our Principal Executive Officer) and Chief Financial Officer (our Principal Financial Officer), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, management has concluded that our disclosure controls and procedures were effective as of September 30, 2023.

In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Officer's Certifications

Appearing as an exhibit to this quarterly report on Form 10-Q are "Certifications" of our Chief Executive Officer and Chief Financial Officer. The Certifications are required pursuant to Sections 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certifications"). This section of the quarterly report on Form 10-Q contains information concerning the Controls Evaluation referred to in the Section 302 Certifications. This information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

In June 2023, the Company reached a settlement with a former employee for \$60,000. This amount was paid in July 2023.

See Part I, Item I, Notes to Unaudited Condensed Consolidated Financial Statements, Note 12 – Commitments and Contingencies, of this report.

ITEM 1A Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2 Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

There were no unregistered sales of the Company's equity securities during the nine months ended September 30, 2023 that were not previously reported in a Current Report on Form 8K, except as follows:

On February 16, 2023, the Company issued 225,000 common shares and 225,000 warrants to purchase common shares to a third-party consultant in exchange for professional services rendered.

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained in Section 4(a)(2) of the Securities Act and Regulation D under the Securities Act.

ITEM 3 Defaults Upon Senior Securities

None.

ITEM 4 Mine Safety Disclosures

There have been no events which are required to be reported under this Item.

ITEM 5 Other Information

None.

ITEM 6 Exhibits

| Item No. | Description |
|-------------------------|--|
| 3.1 (1) | Articles of Incorporation of Imagine Media, Ltd. |
| 3.2 (2) | Articles of Amendment to Articles of Incorporation to TransBiotech, Inc. |
| 3.3 (3) | Certificate of Amendment to Certificate of Incorporation filed with the State of Delaware on May 25, 2017 |
| 3.4 (4) | Amended and Restated Bylaws of SOBR Safe, Inc. |
| 3.5 (5) | Certificate of Amendment to Certificate of Incorporation of TransBiotech, Inc. changing name to SOBR Safe, Inc., effecting 1-for-33.26 reverse stock split and decreasing authorized common stock to 100M shares |
| 3.6 (6) | Amendment to Amended and Restated Bylaws of SOBR Safe, Inc. dated April 6, 2023. |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith) |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of Chief Accounting Officer (filed herewith) |
| 32.1* | Section 1350 Certification of Chief Executive Officer (filed herewith) |
| 32.2* | Section 1350 Certification of Chief Accounting Officer (filed herewith) |
| 101.INS ** | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |
| 101.SCH ** | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL ** | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF ** | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB ** | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE ** | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

*Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

- (1) Incorporated by reference from our Registration Statement on Form SB-2, filed with the Commission on January 31, 2008.
- (2) Incorporated by reference from our Registration Statement on Form S-1, filed with the Commission on November 6, 2012.
- (3) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Commission on February 6, 2019.
- (4) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on November 18, 2019.
- (5) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on June 11, 2020.
- (6) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on April 11, 2023.

SIGNATURES

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

SOBR Safe, Inc.

Dated: November 8, 2023

By: /s/ David Gandini

David Gandini

Its: Chief Executive Officer and Principal Executive Officer

Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

I, David Gandini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SOBR Safe, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Dated: November 8, 2023

By: /s/ David Gandini

David Gandini
Chief Executive Officer and Principal Executive
Officer

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

I, Jerry Wenzel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SOBR Safe, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Dated: November 8, 2023

By: /s/ Jerry Wenzel
Jerry Wenzel
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SOBR Safe, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, David Gandini, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2023

By: /s/ David Gandini

David Gandini
Chief Executive Officer and Principal Executive
Officer

A signed original of this written statement required by Section 906 has been provided to SOBR Safe, Inc. and will be retained by SOBR Safe, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SOBR Safe, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Jerry Wenzel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2023

By: /s/ Jerry Wenzel
Jerry Wenzel
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to SOBR Safe, Inc. and will be retained by SOBR Safe, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.