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

Form 10-K

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

For the fiscal year ended December 31, 2023

OR

☐ TRANSITION REPORT UNDER 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	**26-0731818**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6400 S. Fiddlers Green Circle, Suite 1400 Greenwood Village, Colorado	**80111**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 par value	SOBR	The Nasdaq Market LLC (Nasdaq Capital Market)

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

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

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

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

Aggregate market value of the voting and non-voting stock held by non-affiliates as of June 30, 2023: $31,525,769 as based on last reported sales price of such stock $1.71 on June 30, 2023. The voting stock held by non-affiliates on that date consisted of 13,904,022 shares of common stock.

Applicable Only to Registrants Involved in Bankruptcy Proceedings During the Preceding Five Years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

Applicable Only to Corporate Registrants:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 29, 2024, there were 20,007,465 shares of common stock, $0.00001 par value, issued and outstanding.

Documents Incorporated by Reference

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated:(1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). **None.**

SOBR Safe, Inc.

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PART I

Special Note Regarding Forward Looking Statements

This Annual Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (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 possible or assumed future results of operations of the Company 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. The Company's 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.

ITEM 1 – BUSINESS

Corporate History

On September 19, 2011, we, 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 52.24% of our then outstanding voting stock approved an amendment to our Certificate 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.

At the open of market on April 28, 2022, our 1-for-3 reverse split of our common stock went effective with the OTC Markets. As a result, all common stock share amounts, as well as share amounts and exercise and conversion prices in derivative security instruments have been adjusted to reflect the reverse stock split.

Pursuant to approval of an application with the Nasdaq Captial Market ("Nasdaq") to up list our common stock to their exchange under the ticker symbol "SOBR," our common stock began trading and quoted on the Nasdaq on May 16, 2022. Prior to this up list to the Nasdaq, 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.

Business Overview

General

We provide non-invasive technology to quickly and humanely identify the presence of alcohol in individuals. These technologies are 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 current and potential applications in:

- Behavioral health
- Justice
- Licensing and integration
- Commercial environments, including but not limited to,
  - Oil and gas
  - Fleet management
  - Telematics
  - General workplace safety
- Individual use, including but not limited to,
  - Co-parenting trust
  - Personal accountability
  - Teen driver safety

We are now in commercial production and sale of our SOBRcheck™ solution. We have executed customer agreements and have had revenue since the first quarter 2022.

Our second device, the wearable wristband SOBRsure™, utilizes the same SOBRsafe™ hardware/software platform. The wearable band is in commercial production and became available for sale in late September 2023 with initial revenues being generated in October 2023.

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

SOBRcheck™

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 more efficiently manage their existing substance abuse policy. 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 may gather de-identified information regarding Pass/Fail tests for use in studies or other revenue generating opportunities, and will not include any specific data about an individual user.

SOBRsure™

Our transdermal, alcohol-detecting, fitness-style wearable band, SOBRsure™, contains our SOBRsafe™ technology for ongoing, real-time alcohol monitoring and GPS tracking.

Our SOBRcheck™ revenue model consists of two components: a one-time purchase price per device and a recurring monthly SaaS fee per user or flat rate fee per user range. We employ a similar model for the wearable band SOBRsure™: a one-time purchase price per device and a monthly per user subscription fee.

We believe our device portfolio approach could yield a substantial repository of user data – a potentially monetizable asset for statistical analytics. The opportunity to collect data points over time could enable the development of business and insurance liability benchmarking, and through AI, powerful guidance for perpetual safety improvement (and associated cost savings capture). By demonstrating substance-free environments, organizations could deliver a data-driven argument for lowering insurance premiums. We could potentially partner with insurance providers to mandate use of the SOBRsafe™ devices and/or technology.

Competitive Advantages

We are a leading provider of preventative transdermal (touch-based) alcohol detection systems in the U.S. market by seeking to proactively eliminate the presence of alcohol in zero-tolerance environments, and not simply punish the offender post-accident or other violation. We have entered the behavioral health and judicially-mandated market and most companies we consider to be our primary competitors, like SCRAM, BACtrack, Soberlink and others are primarily focused on breathalyzers for breath alcohol concentration (BrAC) measurement, or locking ankle monitors.

Our SOBRcheck™ device is a patent-pending, touch-based identity verification and alcohol detection solution. A user places two fingers on the device's sensors for which one compares biometric data points from the finger to confirm identity, while the other senses alcohol released through humidity and/or perspiration emitted from the pores of the fingertip. The touch-based device connects to the SOBRsafe™ software solution to collect, present and communicate data collected to prescribed parties.

Our SOBRsure™ device is a patent-pending, fitness-style wearable band with an alcohol detection solution intended for discrete, low-profile and voluntary use. The wearable band is a device which includes a contained sensor which senses alcohol released through humidity and/or perspiration emitted from the pores of the skin. The wearable band connects to a mobile device via Bluetooth communication where the SOBRsafe™ mobile application collects and transmits collected data to the SOBRsafe™ software solution. The SOBRsure™ device provides passive, real-time alcohol insights to administrators, clinicians, parents and more, and also includes device removal and service interruption notifications.

Marketing

We have developed a marketing plan that includes 1) consumer e-commerce solutions and enhancements 2) affiliate partners, 3) brand ambassadors and social media influencers, 4) online paid advertising, 5) search engine optimization (SEO) and search engine marketing (SEM) 6) alcohol detection/testing channel partners, 7) territorial sales agents, 8) direct sales, 9) trade shows, 10) public relations, 11) advocacy group alignment, 12) ongoing brand development and 13) continuous pursuit of cutting-edge technologies for future integration.

As of December 31, 2023, we have engaged and signed six channel partners to augment our sales and marketing efforts, serving six business customers with SOBRsafe™ devices and services, and completed commercial sales of the SOBRsure™ device.

Intellectual Property

We possess the following patent and pending patent applications related to our SOBRsafe™ system and related devices:

1) U.S. Patent No. 9,296,298, entitled "Alcohol detection system for vehicle driver testing with integral temperature compensation", which expires in 2032.
2) U.S. Patent Application No. 17/996,996, entitled "Noninvasive Transdermal Alcohol Screening System," and related foreign filings in Canada and Europe.
3) U.S. Patent Application No. 18/251,567, entitled "Wearable Data Collection Device With Non-Invasive Sensing," and related foreign filings in Canada, Europe, and Mexico.
4) U.S. Provisional Patent Application No. 63,502,580, entitled "Vehicle Diagnostic Port Dongle for Preventing Vehicle Start."

We are currently applying for the related patents to convert our Provisionals as part of our patent defense strategy.

We applied for trademarks related to the SOBRsafe™ system, SOBRcheck™ and SOBRsure™, and "SOBR" as standard characters with no specific formatting.

Government Regulation

As we utilize a unique "Pass/Fail" methodology that simply alerts to the presence of alcohol (as opposed to measuring a discrete BrAC) – information that may be used at the discretion of the employer (or counselor, parent, etc.) – we do not believe we will be subject to any government regulation in the targeted alcohol detection markets including Behavioral Health, Justice, Alcohol Rehabilitation, Consumer, Facility & Fleet, or Young Driver markets. In the Judicial market, regulations vary significantly by state; some states only allow for the use of certain methodologies like breath or urine, while others do not specify and there exists no regulated barrier to entry for a transdermal solution.

Human Capital Resources and Employees

As of March 29, 2024, there are a total of 14 full time employees, including Company officers Chairman/Chief Executive Officer/Secretary, David Gandini, and Chief Financial Officer, Christopher Whitaker. The employee base primarily operates from our corporate offices located in Greenwood Village, Colorado. Employees who operate remotely from our corporate offices primarily consist of territorial sales and business development representatives. The remainder of our workforce consists of professional consultants in supporting roles due to the size and nature of our business.

Oversight and Management

Our executive officers are tasked with leading our organization in managing employment-related matters, including recruiting and hiring, onboarding and training, compensation planning and talent management and development. We are committed to providing team members with the training and resources necessary to continually strengthen their skills. Our executive team is responsible for periodically reviewing development and training programs, diversity efforts, business ethics and compliance training, team member benefit programs and initiatives, including healthcare and other benefits, as well as our management development and succession planning practices. Management periodically reports to the Board and the Compensation Committee regarding our human capital measures and results that guide how we attract, compensate, retain and develop a workforce to enable our business strategies.

Diversity, Equity and Inclusion

We believe that a diverse workforce is critical to our success, and we continue to monitor and improve the application of our hiring, retention, compensation and advancement processes for women and underrepresented populations across our workforce, including persons of color, veterans and LGBTQ+ to enhance our inclusive and diverse culture. We continue to invest in recruiting diverse talent.

Workplace Safety and Health

A vital part of our business is providing our workforce with a safe, healthy and sustainable working environment. We focus on implementing change through workforce observation and feedback channels to recognize risk and continuously improve our processes.

Available Information

As a public company, we are required to file our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and other information (including any amendments) with the Securities and Exchange Commission (the "SEC"). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You can find our SEC filings at the SEC's website at *www.sec.gov*.

Our Internet address is *www.sobrsafe.com*. Information contained on our website is not part of this Annual Report. Our SEC filings (including any amendments) are also made available free of charge on *www.sobrsafe.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. – RISK FACTORS.

As a smaller reporting company, we are not required to provide a statement of risk factors. However, we believe this information may be valuable to our shareholders for this filing. We reserve the right to not provide risk factors in our future filings. Our primary risk factors and other considerations include:

We have a limited operating history and historical financial information upon which you may evaluate our performance.

You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages of development. We may not successfully address these risks and uncertainties or successfully implement our existing and new products. If we fail to do so, it could materially harm our business and impair the value of our common stock. Even if we accomplish these objectives, we may not generate positive cash flows or profits. We were incorporated in Delaware on August 10, 2007. Our business to date has focused on developing and improving our technologies, potential products, filing patents, and hiring management and staff personnel. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new products. These include, but are not limited to, inadequate funding, lack of consumer acceptance, competition, product development, and inadequate sales and marketing. The failure by us to meet any of these conditions would have a materially adverse effect upon us and may force us to reduce or curtail operations. No assurance can be given that we can or will ever operate profitably.

We may not be able to meet our future capital needs.

To date, we have generated limited revenue. Our future capital requirements will depend on many factors, including our ability to develop our products, generate cash flow from operations, and competing market developments. Our ability to achieve future profitability is dependent on a variety of factors, many of which are outside of our control. Failure to achieve profitability or sustain profitability, if achieved, may require us to raise additional financing, which could have a material negative impact on the market value of our Common Stock. Any equity financings will result in dilution to our then-existing stockholders. Sources of debt financing may result in high interest expense. Any financing, if available, may be on unfavorable terms.

If we cannot obtain achieve or sustain profitability or additional funding, our technology and product development and commercialization efforts may be reduced or discontinued and we may not be able to continue operations.

We have experienced recurring net losses since inception, and as of December 31, 2023, had an accumulated deficit of $87,765,981. We believe that we will continue to incur substantial operating expenses in the foreseeable future as we continue to invest to develop and expand technology and product offerings and attract new customers. These efforts may prove more expensive than we anticipate, and we may not succeed in obtaining the net revenue and operating margins necessary to offset these expenses. Accordingly, we may not be able to achieve profitability, and we may incur significant losses for the foreseeable future.

Development of our technology and our product development efforts are highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

In addition, we may also raise additional capital through additional equity offerings and licensing our future products in development. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in licensing our future products.

Our business plan, which is focused on the development and commercialization of alcohol detection devices, is dependent upon our SOBRSafe™ technology. If that technology proves to be ineffective at detecting alcohol in person's system through secretions from their skin it would significantly impact our business.

Our business is dependent upon our SOBRSafe™ technology. Our business plan calls for us to develop and commercialize alcohol detection devices based on our SOBRSafe™ technology. In the event that our technology proves to be ineffective at detecting alcohol in person's system through secretions from their skin, it would significantly impact our business.

Our quarterly and annual operating results may fluctuate significantly and may not fully reflect the underlying performance of our business. This makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide.

Our quarterly and annual results of operations, including our revenue, profitability and cash flow, may vary significantly in the future, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter or period should not be relied upon as an indication of future performance. Our quarterly and annual operating results may fluctuate significantly as a result of a variety of factors, many of which are outside our control and, as a result, may not fully reflect the underlying performance of our business. Such fluctuations in quarterly and annual operating results may decrease the value of our common stock. Because our quarterly operating results may fluctuate, period-to-period comparisons may not be the best indication of the underlying results of our business and should only be relied upon as one factor in determining how our business is performing. These fluctuations may occur due to a variety of factors, many of which are outside of our control, including, but not limited to:

- the level of adoption and demand for our products in our key industries like probation management, fleet & facility, alcohol rehabilitation and young drivers;
- positive or negative coverage in the media, or changes in commercial perception, of our products or competing products, including our brand reputation;
- the degree of competition in our industry and any change in the competitive landscape, including consolidation among competitors or future partners;
- any safety, reliability or effectiveness concerns that arise regarding our products;
- unanticipated pricing pressures in connection with the sale of our products;
- the effectiveness of our sales and marketing efforts, including our ability to deploy a sufficient number of qualified representatives to sell and market our products;
- the timing of customer orders for our products and the number of available selling days in any quarterly period, which can be impacted by holidays, the mix of products sold and the geographic mix of where products are sold;
- unanticipated delays in product development or product launches;
- the cost of manufacturing our products, which may vary depending on the quantity of production and the terms of our agreements with third-party suppliers;
- our ability to raise additional capital on acceptable terms, or at all, if needed to support the commercialization of our products;
- our ability to achieve and maintain compliance with all regulatory requirements applicable to our products and services;
- our ability to obtain, maintain and enforce our intellectual property rights;
- our ability and our third-party suppliers' ability to supply the components of our products in a timely manner, in accordance with our specifications, and in compliance with applicable regulatory requirements; and
- introduction of new products or technologies that compete with our products.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. If our assumptions regarding the risks and uncertainties we face, which we use to plan our business, are incorrect or change due to circumstances in our business or our markets, or if we do not address these risks successfully, our operating and financial results could deviate materially from our expectations and our business could suffer.

This variability and unpredictability could also result in our failure to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, it will negatively affect our business, financial condition and results of operations.

Because we face intense competition, we may not be able to operate profitably in our markets.

The market for our products is highly competitive and is becoming more so, which could hinder our ability to successfully market our products. We may not have the resources, expertise or other competitive factors to compete successfully in the future. We expect to face additional competition from existing competitors and new market entrants in the future. Many of our competitors have greater name recognition and more established relationships in the industry than we do. As a result, these competitors may be able to:

- develop and expand their product offerings more rapidly;
- adapt to new or emerging changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies than we can.

If our products do not gain market acceptance, prospects for our sales revenue may be affected.

We intend to use the SOBR Safe™ technology in various platforms in the preventative, probation management, fleet & facility, alcohol rehabilitation and young drivers' markets. Currently, most alcohol sensing devices are breath analyzers and ankle bracelets employed in the judicially-mandated market where the use is usually required by law as a punishment for committing a crime. We will be asking companies and institutions that have an interest in monitoring whether their employees or contractors have alcohol in their systems due to their job responsibilities (such as fleet and school bus drivers, factory machinists, forklift operators, etc.), to adopt a new requirement that their employees or contractors must abide in order to remain employed. While we believe this will be attractive to many companies and industries, we must achieve some level of market acceptance to be successful. If we are unable to achieve market acceptance, our investors could lose their entire investment.

If critical components become unavailable or contract manufacturers delay their production, our business will be negatively impacted.

We currently stay ahead of supply chain issues by utilizing multiple sources, but if for reasons out of our control parts are not available, it could impact customer contracts and revenue.

We currently outsource supply chain and manufacturing of the SOBRcheck™ device to third-party manufacturers. The stability of component supply will be crucial to maintaining our manufacturing process. Due to the fact we currently manufacture the device utilizing in part, "off the shelf" parts and components, some of our critical devices and components being supplied by certain third-party manufacturers, we may be unable to acquire necessary amounts of key components at competitive prices.

We have selected these particular manufacturers based on their ability to consistently produce these products according to our requirements in an effort to obtain the best quality product at the most cost-effective price. However, the loss of all or one of these suppliers or delays in obtaining shipments would have an adverse effect on our operations until an alternative supplier could be found, if one may be located at all. If we get to that stage of growth, such loss of manufacturers could cause us to breach any contracts we have in place at that time and would likely cause us to lose sales.

If our contract manufacturers fail to meet our requirements for quality, quantity and timeliness, our business growth could be harmed.

We currently outsource the manufacturing of devices utilizing the SOBRsafe™ alcohol detection system to several contract manufacturers. These manufacturers will procure all of the raw materials for us and provide all necessary facilities and labor to manufacture our products. If these companies were to terminate their agreements with us without adequate notice or fail to provide the required capacity and quality on a timely basis, we would be delayed in our ability or unable to process and deliver our products to our customers.

Our products could contain defects or they may be installed or operated incorrectly, which could reduce sales of those products or result in claims against us.

Although we have quality assurance practices in place to ensure good product quality, defects still may be found in the future in our future products.

End-users could lose their confidence in our products and/or our company if they unexpectedly use defective products or use our products improperly. This could result in loss of revenue, loss of profit margin, or loss of market share.

We have limited experience manufacturing our products in large-scale commercial quantities, and we face a number of manufacturing risks that may adversely affect our manufacturing abilities which could delay, prevent or impair our growth.

Our growth strategy depends on our ability to manufacture our current and future products in sufficient quantities and on a timely basis to meet customer demand. We outsource with United States based third party manufacturing companies. If any of our manufacturing facilities suffer damage, or a force majeure event, such damage or event could materially impact our ability to operate, which could materially and adversely affect our business and financial performance.

We are also subject to numerous other risks relating to our manufacturing capabilities, including:

- quality and reliability of components, sub-assemblies and materials that we source from third-party suppliers, who are required to meet our quality specifications, almost all of whom are single source suppliers for the items and materials that they supply;
- our inability to secure components, sub-assemblies and materials in a timely manner, in sufficient quantities or on commercially reasonable terms;
- our inability to maintain compliance with quality system requirements or pass regulatory quality inspections;
- our failure to increase production capacity or volumes to meet demand;
- potential risks associated with disruptions in our supply chain, such as on account of the COVID- 19 pandemic or other macroeconomic events;
- lead times associated with securing key components;
- our inability to design or modify production processes to enable us to produce future products efficiently or implement changes in current products in response to design or regulatory requirements; and
- difficulty identifying and qualifying, and obtaining new regulatory approvals, for alternative suppliers for components in a timely manner.

These risks are likely to be exacerbated by our limited experience with our current products and manufacturing processes. As demand for our products increases, we will have to invest additional resources to purchase components, sub-assemblies and materials, hire and train employees and enhance our manufacturing processes. If we fail to increase our production capacity efficiently, we may not be able to fill customer orders on a timely basis, our sales may not increase in line with our expectations and our operating margins could fluctuate or decline. In addition, although some future products may share product features, components, sub-assemblies and materials with our existing products, the manufacture of these products may require modification of our current production processes or unique production processes, the hiring of specialized employees, the identification of new suppliers for specific components, sub-assemblies and materials or the development of new manufacturing technologies. It may not be possible for us to manufacture these products at a cost or in quantities sufficient to make these products commercially viable or to maintain current operating margins, all of which could have a material adverse effect on our business, financial condition and results of operations.

We rely on third party intellectual property licenses and agreements to provide and facilitate the basis for and production of our patent-pending technology including our manufactured SOBRcheck™ and SOBRsure™ devices.

We have limited control over our third-party business partners and contract manufacturers who rely on intellectual property and patents of other parties to supply primary components for our devices. This presents potential manufacturing supply and reliability, quality compliance, and intellectual property infringement risks or expiry of exclusive rights to the intellectual property. Further, there is no assurance components or changes to the intellectual property rights will meet our quality requirements to ensure quality and reliability of our devices.

Should our third-party business partners and contract manufacturers not maintain exclusive rights to the intellectual property or should the content of the patents change, this could impact the effectiveness of our current device designs and impair our ability to produce quality products.

Because our technology is innovative and disruptive, we may require additional time to enter the market due to the need to further discover the profile companies within our target markets.

Our products are new to the marketplace. As a result, we will need time to penetrate our target markets by further developing the profile companies that could benefit the most from our products and technology. If we are not successful in discovering these companies it could greatly slow our growth and adversely impact our financial condition.

We are currently selling our products through direct sales and distributors, and will need time to develop relationships in order to secure customers and grow revenue.

Any failure to maintain and grow our direct sales force and distributor network could harm our business. The members of our direct sales force are adequately trained and possess technical expertise, which we believe is critical in driving the awareness and adoption of our products. The members of our U.S. sales force are at-will employees. The loss of these personnel to competitors, or otherwise, could materially harm our business. If we are unable to retain our direct sales force personnel or replace them with individuals of comparable expertise and qualifications, or if we are unable to successfully employ such expertise in replacement personnel, our product sales, revenues and results of operations could be materially harmed.

In order to generate future growth, we will continue to identify and recruit qualified sales and marketing professionals. Training them on our products and on our internal policies and procedures requires significant time, expense and attention. It can take several months or more before a sales representative is fully trained and productive. Our sales force may subject us to higher fixed costs than those of companies with competing products, placing us at a competitive disadvantage. Our business may be harmed if our efforts to expand and train our sales force do not generate a corresponding increase in product sales and revenue, and our higher fixed costs may slow our ability to reduce costs in the face of a sudden decline in demand for our products. Any failure to hire, develop and retain talented sales personnel, to achieve desired productivity levels in a reasonable period of time to reduce fixed costs, could have material adverse effect on our business, financial condition and results of operations.

Our ability to increase our customer base and achieve broader market acceptance of our products will depend, to a significant extent, on our ability to expand our sales and marketing efforts. Our business may be harmed if these efforts and expenditures do not generate a corresponding increase in revenue. If we fail to successfully promote our products in a cost-effective manner, we may fail to attract or retain the market acceptance necessary to realize a sufficient return on our promotional efforts, or to achieve broad adoption of our products.

We need to ensure strong product performance and reliability to maintain and grow our business.

We need to maintain and, if needed, improve the performance and reliability of our products to achieve our profitability objectives. Poor product performance and reliability could lead to customer dissatisfaction, adversely affect our reputation and revenues, and increase our service and distribution costs and working capital requirements. In addition, our SOBRsafe™ technology, and the software and hardware incorporated into our SOBRcheck™ and SOBRsure™ devices may contain errors or defects, especially when first introduced and while we have made efforts to test this software and hardware extensively, we cannot assure that the software and hardware, or software and hardware developed in the future, will not experience errors or performance problems.

Our internal computer systems, or those used by our contractors or consultants, may fail or suffer security breaches, and such failure could negatively affect our business, financial condition and results of operations.

We depend on our information technology systems for the efficient functioning of our business, including the manufacture, distribution and maintenance of our products, as well as for accounting, data storage, compliance, purchasing, inventory management and other related functions. We do not have redundant information technology in all aspects of our systems at this time. Despite the implementation of security and back-up measures, our internal computer, server, and other information technology systems as well as those of our third-party consultants, contractors, suppliers, and service providers, may be vulnerable to damage from physical or electronic break-ins, accidental or intentional exposure of our data by employees or others with authorized access to our networks, computer viruses, malware, ransomware, supply chain attacks, natural disasters, terrorism, war, telecommunication and electrical failure, denial of service, and other cyberattacks or disruptive incidents that could result in unauthorized access to, use or disclosure of, corruption of, or loss of sensitive, and/or proprietary data, including personal information, including health-related information, and could subject us to significant liabilities and regulatory and enforcement actions, and reputational damage. Additionally, theft of our intellectual property or proprietary business information could require substantial expenditures to remedy. Such theft could also lead to loss of intellectual property rights through disclosure of our proprietary business information, and such loss may not be capable of remedying. If we or our third-party consultants, contractors, suppliers, or service providers were to suffer an attack or breach, for example, that resulted in the unauthorized access to or use or disclosure of personal information, we may have to notify consumers, partners, collaborators, government authorities, and the media, and may be subject to investigations, civil penalties, administrative and enforcement actions, and litigation, any of which could harm our business and reputation. The COVID-19 pandemic has generally increased the risk of cybersecurity intrusions. Our reliance on internet technology and the number of our employees who are working remotely may create additional opportunities for cybercriminals to exploit vulnerabilities. For example, there has been an increase in phishing and spam emails as well as social engineering attempts from “hackers” hoping to use the recent COVID-19 pandemic to their advantage. Furthermore, because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or systems or data or systems of our commercial partners, or inappropriate or unauthorized access to or disclosure or use of confidential, proprietary, or other sensitive, personal, or health information, we could incur liability and suffer reputational harm. Failure to maintain or protect our information technology systems effectively could negatively affect our business, financial condition and results of operations.

If we are unable to recruit and retain qualified personnel, our business could be harmed.

Our growth and success highly depend on qualified personnel. Competition in the industry could cause us difficulty in recruiting or retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products. If we are unable to attract and retain necessary key talents, it would harm our ability to develop competitive products and retain good customers and could adversely affect our business and operating results.

We may be unable to adequately protect our proprietary rights.

We currently have one "use" patent covering the SOBRsafe™ alcohol detection system and/or the SOBR devices and two provisional patents pending with the United States Patent and Trademark Office. These patents are not specific to the components, but rather the overall solution provided by the SOBR devices. Our ability to compete partly depends on the superiority, uniqueness and value of our intellectual property. To protect our proprietary rights, we will rely on a combination of patent, copyright and trade secret laws, confidentiality agreements with our employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of our intellectual property:

- Our applications for patents relating to our business may not be granted and, if granted, may be challenged or invalidated;
- Issued patents may not provide us with any competitive advantages;
- Our efforts to protect our intellectual property rights may not be effective in preventing misappropriation of our technology;
- Our efforts may not prevent the development and design by others of products or technologies similar to or competitive with, or superior to those we develop; or
- Another party may obtain a blocking patent and we would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in our products.

We may become involved in lawsuits to protect or enforce our patents that would be expensive and time consuming.

In order to protect or enforce our patent rights, we may initiate patent litigation against third parties. In addition, we may become subject to interference or opposition proceedings conducted in patent and trademark offices to determine the priority and patentability of inventions. The defense of intellectual property rights, including patent rights through lawsuits, interference or opposition proceedings, and other legal and administrative proceedings, would be costly and divert our technical and management personnel from their normal responsibilities. An adverse determination of any litigation or defense proceedings could put our pending patent applications at risk of not being issued.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. For example, during the course of this kind of litigation, confidential information may be inadvertently disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. This disclosure could have a material adverse effect on our business and our financial results.

The internal controls we utilize to produce reliable financial reports provide no assurance that we will, at all times, in the future be able to report that our internal controls over financial reporting are effective. If we develop material weaknesses in our internal controls, we may not be able to report our financial results accurately or timely or to detect fraud, which could have a material adverse effect on our business.

An effective internal control environment is necessary for us to produce reliable financial reports and is an important part of our effort to prevent financial fraud. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure of human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. If we fail to maintain an effective system of internal controls we may be unable to produce reliable, timely financial reports or prevent fraud, which could have a material adverse effect on our business, including subjecting us to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline or limit our access to capital.

We are required to periodically evaluate the effectiveness of the design and operation of our internal controls over financial reporting. In the past we have identified material weaknesses in our internal controls. As of December 31, 2022, the specific weaknesses our management identified include: (i) we do not have sufficient segregation of duties within our accounting functions, and (ii) we have not documented all our internal controls. Enhancements, modifications, and changes to our internal controls during fiscal 2023 were necessary in order to eliminate these weaknesses. Based on these evaluations, we conclude in our Annual Report on Form 10-K for the year ended December 31, 2023, our internal controls to produce reliable financial reports are operating effectively. See "Internal Control Over Financial Reporting", herein.

We may be dependent on outside advisors to assist us.

In order to supplement the business experience of management, we may employ accountants, technical experts, appraisers, attorneys or other consultants or advisors. The selection of any such advisors will be made by management and without any control from shareholders. Additionally, it is anticipated that such persons may be engaged by us on an independent basis without a continuing fiduciary or other obligation to us.

We are subject to the significant influence of one of our current stockholders, and their interests may not always coincide with those of our other stockholders.

Gary Graham and Cord Carpenter currently beneficially own approximately 12.4% and 5.0%, respectively, of our outstanding common stock. As a result, These stockholders are able to significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. Because the interests of Mr. Graham may not always coincide with those of our other stockholders, such stockholder may influence or cause us to take actions with which our other stockholders disagree.

Our management has discretion as to how to use any proceeds from the sale of securities.

We reserve the right to use the funds obtained from the sale of our securities for purposes our management deems to be in the best interests of the company and our stockholders in order to address changed circumstances or opportunities. As a result of the foregoing, our success will be substantially dependent upon the discretion and judgment of management with respect to application and allocation of the net proceeds from the sale of our securities.

The issuance of additional common stock and/or the resale of our issued and outstanding common stock could cause substantial dilution to investors.

Our Certificate of Incorporation authorize the issuance of up to 100,000,000 shares of common stock and 25,000,000 shares of preferred stock. Our Board of Directors has the authority to issue additional shares of common stock and to issue options and warrants to purchase shares of our common stock without shareholder approval. Future issuances of common stock could represent further substantial dilution to investors. In addition, the Board of Directors could issue large blocks of voting stock to fend off unwanted tender offers or hostile takeovers without further stockholder approval.

Our common stock has been thinly traded and we cannot predict the extent to which a trading market will develop.

Our common stock is listed on Nasdaq. Our common stock is thinly traded compared to larger more widely known companies. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for our common stock will develop or be sustained.

We may not be able to maintain our listing on the Nasdaq, which could have a material adverse effect on us and our stockholders.

We may not be able to maintain our listing on the Nasdaq, which could have a material adverse effect on us and our stockholders. The standards for continued listing on Nasdaq include, among other things, that the minimum bid price for the listed securities may not fall below $1.00 for a period in excess of 30 consecutive business days and stockholders' equity maintain a minimum value of at least $2,500,000.

During the months of October 2023 and November 2023, our common stock traded at levels below $1.00 per share in excess of the 30-business day requirement. On November 15, 2023, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of the Nasdaq notifying us that, for the preceding 30 consecutive business days, the closing bid price of our common stock remained below the minimum $1.00 per share requirement for continued inclusion on Nasdaq. In accordance with the Nasdaq Listing Rules, we have been provided an initial period of 180 calendar days, or until May 13, 2024 (the "Compliance Date"), to regain compliance with the Bid Price Requirement. If at any time before the Compliance Date the closing bid price of our common stock is at least $1.00 for a minimum of ten consecutive business days, the Staff will provide us with written confirmation of compliance with the Bid Price Requirement.

If we do not regain compliance with the Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would then be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the Bid Price Requirement, and would need to provide written notice of its intention to cure the deficiency during the additional 180 calendar day compliance period, which compliance could be achieved by effecting a reverse stock split, if necessary.

At December 31, 2023, our stockholders' equity was below the Nasdaq minimum Stockholders' Equity Requirement of $2,500,000. At the date of this filing, we have not received a deficiency letter from the Staff of the Nasdaq regarding this listing requirement. Upon notification of deficiency by the Staff, we will have 45 days to submit a plan to regain compliance with this Nasdaq listing standard. Staff may extend this deadline for up to an additional five calendar days upon good cause shown and may request such additional information from us as is necessary to make a determination regarding whether to grant such an extension. If the plan is accepted, Nasdaq can grant an extension of up to 180 calendar days from the date of notification to evidence compliance. We are currently evaluating opportunities to increase our stockholders' equity including but not limited to capital financing and debt conversion inducement options.

If the closing bid price of our common stock or the value of our stockholders' equity were to fail to meet Nasdaq's respective minimum requirements within the prescribed periods, or if we otherwise fail to meet any other applicable requirements of Nasdaq and we are unable to regain compliance, Nasdaq may make a determination to delist our common stock. The delisting of our common stock from Nasdaq could negatively impact us by (i) reducing the liquidity and market price of our common stock; (ii) reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; (iii) impacting our ability to use a registration statement to offer and sell freely tradable securities, thereby preventing or limiting us from accessing the public capital markets; and (iv) impairing our ability to provide equity incentives to our employees.

There can be no assurance that we will regain compliance or otherwise maintain compliance with any of the other listing requirements. Nonetheless, we intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options, including a reverse stock split, to regain compliance with the Bid Price Requirement, and evaluating capital financing and debt conversion inducement options to gain compliance with the Stockholders' Equity Requirement.

Future sales of our common stock in the public market could lower the price of our common stock and impair our ability to raise funds in future securities offerings.

Future sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of our common stock and could make it more difficult for us to raise funds in the future through a public offering of its securities.

The market price of our common stock may be volatile and may be affected by market conditions beyond our control.

The market price of our common stock is subject to significant fluctuations in response to, among other factors:

- variations in our operating results and market conditions specific to Biomedical Industry companies;
- changes in financial estimates or recommendations by securities analysts;
- announcements of innovations or new products or services by us or our competitors;
- the emergence of new competitors;
- operating and market price performance of other companies that investors deem comparable;
- changes in our board or management;
- sales or purchases of our common stock by insiders;
- commencement of, or involvement in, litigation;
- changes in governmental regulations; and
- general economic conditions and slow or negative growth of related markets.

In addition, if the market for stocks in our industry, or the stock market in general, experience a loss of investor confidence, the market price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause the price of our common stock to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to the board of directors and management.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 1C – CYBERSECURITY

We have a cross-departmental approach to addressing cybersecurity risk, including input from employees and our Board of Directors (the “Board”). The Board, Audit Committee, and senior management devote significant resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats in a timely and effective manner. Assessing, identifying, and managing cybersecurity related risks are integrated into our overall enterprise risk management (ERM) process. We have a set of Company-wide policies and procedures outlined in our Employee Handbook that directly or indirectly relate to cybersecurity risks. These policies go through an internal review process and are approved by appropriate members of management.

The Company’s EVP of Technology is responsible for developing and implementing our information security program and reporting on cybersecurity matters to the Board. Our EVP of Technology has over two decades of experience as a senior executive in technology-driven enterprises with expertise across cybersecurity, compliance, manufacturing process engineering, database architecture, interface programming and more.

The Company assesses the cybersecurity preparedness of third-party vendors by obtaining SOC 1 or SOC 2 reports. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with the use of third-party providers is part of our overall cybersecurity risk management framework.

The Board and Audit Committee participates in discussions with management regarding cybersecurity risks and performs a review at least annually of the Company’s cybersecurity program. This includes discussions of management’s actions to identify and detect threats, as well as planned actions in the event of a response or recovery situation.

We are subject to cyber incidents and will continue to be exposed to cyber incidents in the normal course of our business. Although, such risks have not materially affected us, including our business strategy, financial condition, results of operations, or cash flows. The extensive approach we take to cybersecurity may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. See Item 1A – Risk Factors for a discussion of cybersecurity risks.

ITEM 2 – PROPERTIES

Our corporate office, consisting of approximately 5,000 square feet, is located at 6400 S. Fiddlers Green Circle, Suite 1400, Greenwood Village, Colorado 80111. We lease our office space under the terms of a commercial lease dated July 31, 2023. The lease is for thirty-nine months and we pay $16,714 per month. We do not own our own manufacturing facility and outsource with third party manufacturing companies for our device manufacturing and product distribution.

ITEM 3 - LEGAL PROCEEDINGS

On December 6, 2006, Orange County Valet and Security Patrol, Inc. filed a lawsuit against us in Orange County California State Superior Court for Breach of Contract in the amount of $11,164. A default judgment was taken against us in this matter. In mid-2013 we learned the Plaintiffs perfected the judgment against us, but we have not heard from the Plaintiffs as of December 31, 2023. In the event we pay any money related to this lawsuit, IDTEC, LLC agreed, in connection with us closing the asset purchase transaction with IDTEC, to pay the amount for us in exchange for shares of our common stock.

On January 22, 2024, the Company was named as a party to a complaint filed in Oakland County Court, Michigan by a former employee. The case was initially filed in the 6^{th} Judicial District Circuit of Michigan. However, on February 15, 2024, the case was removed to the Federal Courts. The former employee is claiming breach of contract, unlawful termination and promissory estoppel. The Company has denied these claims.

In the ordinary course of business, we are from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, other than as set forth herein, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

Our Common Stock is listed on the Nasdaq Capital Market under the symbol "SOBR".

Holders

At December 31, 2023, there were 18,594,570 shares of Common Stock outstanding and approximately 3,550 stockholders of record.

Equity Compensation Plan Information

For information regarding securities authorized for issuance under equity compensation plans, see Part III, Item 12 - "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Recent Sales of Unregistered Securities

Other than the following, no unregistered securities were issued during the fiscal year that were not previously reported in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

On June 8, 2023, we issued 150,000 shares of our common stock for Restricted Stock Units that vested during 2023. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors are sophisticated, familiar with our operations, and there was no general solicitation or advertising.

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. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors are sophisticated, familiar with our operations, and there was no general solicitation or advertising.

On April 1, 2023, we issued 35,000 shares of our common stock for Restricted Stock Units that vested during 2023. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is sophisticated, familiar with our operations, and there was no general solicitation or advertising.

On March 9, 2023, the Company entered into a Debt Offering pursuant to a Purchase Agreement (the "Agreement") and Registration Rights Agreement with institutional investors. The Debt Offering closed on March 9, 2023. The Debt Offering includes 15% Original Issue Discount Convertible Notes (the "Notes") and Common Stock Purchase Warrants (the "Warrants"). Aegis Capital Corp. acted as sole placement agent for the Debt Offering. Under the terms of the Agreement, the Company received $3,000,000 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. 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 Debt Offering after offering related costs. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

On January 1, 2023, the Company entered into a six-month agreement with a consultant to provide investor services and in exchange issued 225,000 shares of restricted common stock and 225,000 warrants to purchase common stock of the Company at an exercise price of $1.35 per warrant. The warrants expire three years from the date of issuance. On February 16, 2023, the Company issued 225,000 common shares in exchange for 225,000 shares of restricted common stock. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

On September 28, 2022, we entered into a PIPE Offering pursuant to a Securities Purchase Agreement with institutional investors for aggregate gross proceeds of approximately $6 million, before deducting fees to Aegis Capital Corp., the exclusive placement agent in the PIPE Offering, and other expenses payable by the Company. Pursuant to the PIPE Offering, which closed on September 30, 2022, we issued 1,925,677 Non Pre-Funded Units and 2,128,378 Pre-funded Units at a purchase price of $1.48 per unit priced at-the-market under Nasdaq rules. The Prefunded Units were sold at the same price less the Prefunded Warrant exercise price of $0.001.

On September 30, 2022, pursuant to the Adjustment terms of the March 2022 Armistice Warrant and the September 2021 Armistice Warrant, as a result of entering into the PIPE Offering, we issued an aggregate 1,750,225 warrants the (the “Armistice Warrants”) consisting of (i) 1,400,180 warrants pursuant to the Adjustment terms under the September 2021 Armistice Warrant, and (ii) 350,045 warrants pursuant to the Adjustment terms of March 2022 Armistice Warrant. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

Each Non Prefunded Unit and Prefunded Unit consists of one share of common stock (or common stock equivalent) and one non-tradable Non Prefunded exercisable for one common stock at a price of $1.35 subject to adjustments pursuant to the Non Prefunded Warrant Agreement. Each Prefunded Unit consists of one share of common stock and one non-tradable Prefunded Warrant exercisable for one common stock at a price of $1.35 less the Prefunded Warrant exercise price of $0.001 pursuant to the Prefunded Warrant Agreement. The Non Prefunded Warrants have a term of seven years from the issuance date and the Prefunded Warrants expire until the Prefunded Warrants are exercised in full. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors are accredited, familiar with our operations, and there was no general solicitation or advertising.

On August 3, 2022, in exchange for a settlement of a general mutual release of employment and application claims we issued to a prior employee a warrant for 10,000 shares of our common stock at an exercise price of $4.25 per share which expires August 3, 2025. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

On June 7, 2022, we issued 16,666 shares of our common stock for restricted stock units that vested in connection with our uplist to Nasdaq. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

On June 7, 2022, and June 29, 2022, we issued 300,000 and 500,000 shares of our common stock, respectively, for professional services. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors were accredited, familiar with our operations, and there was no general solicitation or advertising.

On March 30, 2022, in connection with a Waiver Agreement we entered into with Armistice Capital Master Fund Ltd. the holder of an 18% Original Issue Discount Convertible Debenture in the principal amount of $3,048,780.50, we issued a second common stock purchase warrant, or the March 2022 Armistice Warrant to purchase up to 101,626 additional shares of our common stock expiring March 29, 2029, and extended the Termination Date of the September 2021 Armistice Warrant for 406,504 shares of our common from September 28, 2026 to September 28, 2028. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

On March 3, 2022, we issued 7,917 shares of our common stock under the terms of a $47,500 convertible note payable dated March 6, 2020, with interest at 5%, due March 6, 2022 and convertible at $6 per share. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is sophisticated, familiar with our operations, and there was no general solicitation or advertising.

On March 1, 2022, we entered into Share Exchange Agreements with David Gandini, one of our officers and directors, and Gary Graham, our largest shareholder, to exchange 333,334 and 666,667 shares of our common stock into 1,000,000 shares and 2,000,000 shares of our Series B Preferred Stock, respectively. These stock exchanges of common stock for preferred stock were done as conditions of our planned underwritten offering and planned listing on Nasdaq. The shares of our Series B Convertible Preferred Stock have liquidation preference over our common stock, receive dividends in pari passu with our common stockholders, are convertible into shares of our common stock on a 3-for-1 basis, and vote on an “as converted” basis. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors are sophisticated, familiar with our operations, and there was no general solicitation or advertising.

On January 12, 2022, we issued 16,667 shares of our common stock for Restricted Stock Units that vested during 2021. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is sophisticated, familiar with our operations, and there was no general solicitation or advertising.

On January 10, 2022, in connection with hiring Mr. Wenzel we entered into an Executive Employment Agreement with Mr. Wenzel. Under the terms of his Employment Agreement, Mr. Wenzel will serve as our Chief Financial Officer until January 1, 2024, unless he is terminated pursuant to the termination provisions set forth in his agreement. Under the terms of his Employment Agreement, Mr. Wenzel will perform services for us that are customary and usual for a chief financial officer of a company, in exchange for: (i) an annual base salary of $175,000, (ii) incentive stock options under our 2019 Equity Incentive Plan to acquire 66,667 shares of our common stock, at an exercise price of $7.755, which is equal to 110% of the fair market value of our common stock on January 10, 2022 (the date the options were eligible to be issued under Mr. Wenzel’s Employment Agreement), with the stock options to vest in 8 equal quarterly installments of 8,334 shares during the two-year term of the Employment Agreement, with a ten year term, and (iii) 16,667 Restricted Stock Units under our 2019 Equity Incentive Plan, which will vest upon the end of any relevant lockup period involving Company securities owned by Mr. Wenzel after we uplist to a national exchange (NASDAQ, NYSE, etc.). The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is sophisticated, familiar with our operations, and there was no general solicitation or advertising.

Preferred Stock

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 3,000,000 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. The Company entered into the Share Exchange Agreements to provide certain changes to its capital structure in connection with the planned underwriting offering and listing on Nasdaq. 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, (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.

Dividend Policy

We have never issued any dividends to our common stockholders and do not expect to pay any stock dividend or any cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared on our common stock in the future will be at the discretion of our Board of Directors and subject to any restrictions that may be imposed by our lenders.

Transfer Agent

Our Transfer Agent and Registrar for our Common Stock is Equiniti Trust Company, located at 1110 Centre Pointe Curve, Suite 101, Mendota Heights, Minnesota 55120.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 6 – [RESERVED]

ITEM 7 - 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.

Although the forward-looking statements in this Annual 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.

Overview

We provide non-invasive technology to quickly and humanely identify the presence of alcohol in individuals. These technologies are 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 current and potential applications in:

- Behavioral health
- Justice
- Licensing and integration
- Commercial environments, including but not limited to,
    - Oil and gas
    - Fleet management
    - Telematics
    - General workplace safety
- Individual use, including but not limited to,
    - Co-parenting trust
    - Personal accountability
    - Teen driver safety

Our SOBRcheck™ device is a patent-pending, touch-based identity verification and alcohol detection solution. A user places two fingers on the device's sensors for which one compares biometric data points from the finger to confirm identity, while the other senses alcohol released through the pores of the fingertip. The touch-based device connects to the SOBRsafe™ software solution to collect, present and communicate data collected to prescribed parties. The SOBRcheck™ device has been in commercial production since the first quarter of 2022 and we have executed customer agreements.

Our SOBRsure™ device is a patent-pending, fitness-style wearable band with an alcohol detection solution intended for discrete, low-profile and voluntary use providing real-time alcohol monitoring and GPS tracking. The wearable band is a device which includes a contained sensor which senses alcohol released through the pores of the skin. The wearable band connects to a mobile device via Bluetooth communication where the SOBRsafe™ mobile application collects and transmits collected data to the SOBRsafe™ software solution. The SOBRsure™ device provides passive, real-time alcohol insights to administrators, clinicians, parents and more, and also includes device removal and service interruption notifications. The SOBRsure™ is in commercial production and became available for sale in late September 2023.

Our SOBRsafe™ technology can also be deployed across numerous additional devices 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 will take place in the United States.

Recent Developments

During the year ended December 31, 2023, we accomplished the following:

- The SOBRsure™ wearable band device became commercially available in September 2023 with commercial sales commencing in October 2023.
- Received an aggregate of approximately $3,000,000 in gross proceeds from a debt offering of convertible senior notes. The convertible senior notes have an original issue discount of 15% with approximately $3,500,000 in aggregate principal and interest due in March 2025 with a conversion price of $2.28 per share of Common Stock.

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 3) licensing & integration. We currently employ four highly experienced sales professionals. We have signed six channel partners actively introducing our solutions to established drug and alcohol testing buyers. 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.

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 in August 2007, we have generated significant losses from operations and anticipate that we will continue to generate significant losses for the foreseeable future.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. The preparation of our audited consolidated financial statements and related disclosures require our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the audited consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. We base such estimates on historical experience, known trends and events and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

As part of the process of preparing our financial statements, we are required to estimate our provision for income taxes. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, tax contingencies, unrecognized tax benefits, and any required valuation allowance, including taking into consideration the probability of the tax contingencies being incurred. Management assesses this probability based upon information provided by its tax advisers, its legal advisers and similar tax cases. If later our assessment of the probability of these tax contingencies changes, our accrual for such tax uncertainties may increase or decrease. Our effective tax rate for annual and interim reporting periods could be impacted if uncertain tax positions that are not recognized are settled at an amount which differs from our estimates.

Some of our accounting policies require higher degrees of judgment than others in their application. These include share-based compensation and contingencies and areas such as revenue recognition, allowance for doubtful accounts, valuation of inventory and intangible assets, and impairments.

While our significant accounting policies are described in more detail in the notes to our audited consolidated financial statements appearing elsewhere in this annual report on Form 10-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

The Company enters 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 SOBR’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.

Revenue is recognized in conjunction with guidance provided by Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“ASC 606”) issued by the Financial Accounting Standards Board. The Company determines revenue recognition through five steps outlined in ASC 606 which include (1) the 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.

Allowance for Doubtful Accounts

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.

Valuation of Inventory

Inventory is comprised primarily of component parts and finished products. We periodically make judgments and estimates regarding the future utility and carrying value of our inventory. The carrying value of our inventory is periodically reviewed and impairments, if any, are recognized when the expected future benefit from our inventory is less than carrying value.

Financial Instruments

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy is 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's financial instruments consist primarily of cash, accounts receivable, accounts payable, accrued expenses, accrued interest payable, notes payable, related party payables, convertible debentures, and other payables. The fair value of our derivative liabilities is determined based on "Level 3" inputs. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Beneficial Conversion Features

As discussed under "Recently Adopted Accounting Standard" 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 derivate 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 audited consolidated statements of operations under other income (expense). The company had no derivative instruments as of December 31, 2023.

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 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.

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 awards 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 as historically the Company had limited activity surrounding its awards. 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.

Recent Accounting Pronouncements

New pronouncements issued for future implementation are discussed in Note 1 to our financial statements.

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 future operations, financial position, and liquidity in 2024.

The following discussion:

- summarizes our results of operations; and
- analyzes our financial condition and the results of our operations for the year ended December 31, 2023 and year ended December 31, 2022.

Results of Operations for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Summary of Results of Operations

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenue	$ 157,292	$ 35,322
Cost of goods sold	94,942	19,315
Gross profit	62,350	16,007
Operating expenses:		
General and administrative	6,400,723	6,024,001
Stock-based compensation expense	2,245,871	3,008,395
Research and development	1,016,302	1,397,053
Total operating expenses	9,662,896	10,429,449
Loss from operations	(9,600,546)	(10,413,442)
Other income (expense):		
Other income (expense), net	216,211	230,414
Gain (loss) on debt extinguishment, net	(26,125)	245,105
Gain on fair value adjustment-derivatives, net	-	1,040,000
Interest expense	(804,261)	(3,457,007)
Total other income (expense), net	(614,175)	(1,941,488)
Net loss	$ (10,214,721)	$ (12,354,930)

Operating Loss; Net Loss

Our net loss decreased by $2,140,209 from $12,354,930 to $10,214,721 for the year ended December 31, 2022 compared to the year ended December 31, 2023, respectively. The change in our operating loss and net loss for the year ended December 31, 2023, compared to the prior year, is primarily a result of decreases in stock-based compensation expense, research and development, and interest expense, offset by decreases in one-time gains on debt extinguishment and fair value adjustments for derivatives, and an increase in general and administrative expense. Amortization of beneficial conversion features associated with certain debt issuances were eliminated upon adoption of ASU 2020-06 effective January 1, 2023. The changes are detailed below.

Revenue

We progressed to commercial production, launch and sale of our first SOBRsure™ devices being delivered for use started in October 2023 and our first SOBRcheck™ devices being delivered for use started in January 2022. Both the SOBRcheck™ and SOBRsure™ devices are used in conjunction with our SOBRsafe™ software solution. We have executed customer agreements, invoiced customers and recognized revenue of $157,292 and $35,322 during the years ended December 31, 2023 and 2022.

Gross Profit

The cost of goods sold for the year ended December 31, 2023 was $94,942 resulting in a gross profit of $62,350 and a gross margin of 39.6%, compared to cost of goods sold for the year ended December 31, 2022 of $19,315 and a gross margin of 45.3%. Due to the limited history of generating revenue, the gross profit and gross margin for the years ended December 31, 2023 and 2022 may not be indicative of future planned or actual performance of the Company, its product lines or services.

General and Administrative Expenses

General and administrative expenses increased by $326,722, from $6,024,001 for the year ended December 31, 2022 to $6,350,723 for the year ended December 31, 2023, primarily due to increases in employee payroll and benefits expense, insurance expense and other general and administrative expenses, offset by a reduction in professional services and consulting expenses.

Stock-Based Compensation Expense

We had stock-based compensation expense of $2,245,871 for the year ended December 31, 2023 compared to $3,008,395 for the year ended December 31, 2022. The stock-based compensation expense in 2023 was related to the issuance of our common stock and restricted stock units as compensation to certain directors and employees. The decrease in stock-based compensation expense can be attributed to a reduction in the issuance of stock options and restricted stock units from the prior year and the expiration of vesting periods for which the expense is recognized.

Research and Development

Research and development decreased by $380,751 to $1,016,302 for the year ended December 31, 2023, compared to $1,397,053 for the year ended December 31, 2022. The decrease in research and development can be attributed to the finalization of our SOBRsure™ wearable device during the year ended December 31, 2023 as compared to the finalization of the SOBRcheck™ device and SOBRsafe ™ software platform, and the initial design, development and testing efforts for the SOBRsure™ device during the year ended December 31, 2022.

Other Income (Expense), net

Other income was $216,211 for the year ended December 31, 2023, compared to $230,414 for the year ended December 31, 2022. Other income in 2023 consists primarily of interest earned from investing excess cash in a money market account and other income in 2022 consists primarily of federal payroll tax refunds from prior years.

Gain (loss) on Extinguishment of Debt, net

A loss on extinguishment of debt, net was $26,125 for the year ended December 31, 2023, compared to a gain of $245,105 for the year ended December 31, 2022. The loss in 2023 is due to early payoff of notes scheduled to mature during the year. On May 19, 2022, pursuant to an arrangement with the Convertible Debenture holder, the principal balance of the Debenture in default of $3,048,781, was paid in full satisfying all amounts due and accrued under the default, including penalty, damages and interest provisions of the agreement. The Company was not required to pay the penalty, damages and interest provision of the agreement, thus a gain on extinguishment of debt of $1,109,105 was recorded during the year ended December 31, 2022. This gain has been offset by a loss on extinguishment of debt of $864,000 related to the fair value of the original warrants issued and extended for an additional two-year period in conjunction with the Convertible Debenture which was in default.

Gain (loss) on Fair Value Adjustment – Derivatives, net

Fair value adjustment – derivatives, net was a gain of $1,040,000 for the year ended December 31, 2022, compared to none for the year ended December 31, 2023 which was related to a financial instrument issued in September 2021 that contained an embedded derivative liability component. Upon completing a cash payment of $3,048,781 for the principal balance of the Convertible Debenture on May 19, 2022, the voluntary and automatic conversion features associated with the derivative liability no longer existed and the fair value of the derivative liability as of that date was adjusted to zero.

Interest Expense

Interest expense decreased by $2,652,746 from $3,457,007 for the year ended December 31, 2022, to $804,261 for the year ended December 31, 2023. This decrease is primarily attributable to a one-time debt default penalty of $914,634 related to the Convertible Debenture as well as a decrease of amortization of debt discounts due to beneficial conversion features of $1,518,610 during the year ended December 31, 2022.

Liquidity and Capital Resources for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Introduction

During the years ended December 31, 2023 and 2022, the Company has incurred recurring losses from operations. 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 December 31, 2023, was $2,790,147 and our current normalized monthly operating cash flow burn rate is approximately $425,000.

Management believes that cash balances and positive working capital at December 31, 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 additional expense reduction tactics to preserve working capital, provide the opportunity for the Company to continue as a going concern as of December 31, 2023. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before December 31, 2023. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of December 31, 2023.

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

	December 31, 2023	December 31, 2022	Change
Cash	$ 2,790,147	$ 8,578,997	$ (5,788,850)
Total current assets	3,371,470	9,025,717	(5,654,247)
Total assets	6,147,039	11,912,037	(5,764,998)
Total current liabilities	1,552,842	2,821,684	(1,268,842)
Total liabilities	4,164,502	2,821,684	1,342,818

Our current assets and total assets decreased as of December 31, 2023, as compared to December 31, 2022, primarily due to use of cash to support our negative cash flow from operations.

Our current liabilities decreased as of December 31, 2023, as compared to December 31, 2022. This decrease was primarily due to the refinancing, consolidation and extension of convertible debt originally due in the second quarter of 2023 to May 2025.

Sources and Uses of Cash

Operations

Our net cash used in operating activities of $5,928,076 for the year ended December 31, 2023, as compared to net cash used in operating activities of $6,156,172 for the year ended December 31, 2022. For the year ended December 31, 2023, the net cash used in operating activities consisted primarily of our net loss of $10,214,721 offset by non-cash items including amortization of $385,464, stock-based compensation expense of $2,245,871, and amortization of debt discounts of $562,690. The net loss and non-cash items have been offset by changes in our assets and liabilities primarily from sources of cash from accrued expenses of $334,133, prepaid expenses of $655,507, and accounts payable of $382,700, balanced by uses of cash for inventory of ($127,289) and accrued interest payable of ($237,564). For the year ended December 31, 2022, the net cash used in operating activities consisted primarily of our net loss of $12,354,930 offset by non-cash items including amortization of $385,464, stock-based compensation expense of $2,295,586, amortization of debt discounts of $2,295,586, and stock issued for professional services of $864,500, offset by a change in fair value of derivative liability of ($1,040,000) and gain on extinguishment of debt of ($245,105). The net loss and non-cash items have been offset by changes in our assets and liabilities primarily from sources of cash from accrued expenses of $1,037,486, prepaid expenses of $86,238, accrued interest payable of $217,581, and other assets of $3,148, balanced by uses of cash for inventory of ($176,032), accounts payable of ($127,185), related party payables of ($80,996) and accounts receivable of ($30,322).

Investments

We had no cash provided by or used for investing activities during the years ended December 31, 2023, and 2022.

Financing

Our net cash provided by financing activities for the year ended December 31, 2023, was $139,226, compared to $13,852,901 for the year ended December 31, 2022. For the year ended December 31, 2023, our net cash from financing activities consisted of net proceeds from notes payable – non-related parties of $3,000,001, offset by repayments of notes payable – related parties ($1,000,000), repayments of notes payable – non-related parties ($1,323,025) and payment of debt issuance costs of ($537,750). For the year ended December 31, 2022, our net cash from financing activities consisted of net proceeds from public equity offering of $8,694,363, net proceeds from private equity offering of $5,121,973, and net proceeds from the exercise of stock warrants of $3,328,143, offset by repayments of convertible debenture payable of ($3,048,781) and notes payable to non-related parties of ($242,797).

Contractual Obligations and Commitments

At December 31, 2023, the Company had contractual commitments to make payments under operating leases. Payments due under these commitments are as follows:

	Total	Due Within 1 Year
Operating lease obligations	$ 300,404	$ 97,108
Total contractual cash obligations	$ 300,404	$ 97,108

For additional information about our contractual commitments for these leases, see "Note 5 – Leases" included in our Notes to Consolidated Financial Statements.

Off Balance Sheet Arrangements

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

ITEM 7A – 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 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For a list of financial statements and supplementary data filed as part of this Annual Report, see the Index to Financial Statements beginning at page F-1 of this Annual Report.

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

(a) Dismissal of Independent Registered Public Accountant

On April 18, 2023, based on the recommendation of the Audit Committee (the “Audit Committee”) and approval of the Board of Directors of SOBR Safe, Inc., (the “Company”), the Company dismissed Macias Gini & O’Connell LLP (“MGO”) as the Company’s independent registered public accounting firm. The decision to dismiss MGO as the independent registered public accounting firm of the Company is not the result of any disagreement with MGO.

(b) Newly Appointed Independent Registered Public Accountant

On April 18, 2023, following the recommendation of the Audit Committee and approval of the Board of Directors, the Company engaged Haynie & Company (“Haynie”) as the Company’s independent registered public accounting firm for the year ending December 31, 2023, effective immediately.

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our Principal Executive Officer) and Chief Financial Officer (our Principal Accounting Officer), of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a – 15(c) and 15d – 15(e)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer, who are our Principal Executive Officer and Principal Financial Officer, respectively, concluded that, as of the end of the year ended December 31, 2023, our disclosure controls and procedures were effective as of December 31, 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) Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(c) and 15d-15(f) promulgated under the Exchange Act, as amended, as a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, 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 in the United States and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and any disposition of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our management assesses the effectiveness of our internal control over financial reporting on a quarterly basis, with the most recent assessment being conducted as of December 31, 2023. In making these assessments, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework issued in 2013. Based on this assessment, Management has identified no material weaknesses.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 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.

ITEM 9B – OTHER INFORMATION

None.

ITEM 9C – DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Directors and Executive Officers

The following table sets forth the names and ages of our directors, director nominees, and executive officers as of March 29, 2024, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The executive officers of the Company are elected annually by the Board of Directors. The directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation, or removal by the Board of Directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	Age	Position(s)
David Gandini	66	Chief Executive Officer, Secretary, Chairman of the Board, and Director
Christopher Whitaker	52	Chief Financial Officer and Treasurer
Ford Fay	63	Independent Director (Chairperson of Nominating and Corporate Governance Committee)
J. Steven Beabout	70	Lead Independent Director (Chairperson of Compensation Committee)
Noreen Butler	50	Independent Director
Sandy Shoemaker	55	Independent Director (Chairperson of Audit Committee)

David Gandini has served as our Chief Executive Officer since October 18, 2021, and on our Board of Directors since November 2019. Mr. Gandini has been consulting regarding our business development since December 2018. Since September 2018, Mr. Gandini has also been a managing partner with First Capital Advisory Services, where he is responsible for capital creation, new business acquisition, business strategy and development, and partnership revenue generation. From 2014 to August 2017, Mr. Gandini was President of Alchemy Plastics, Inc., Englewood Colorado where he was responsible for US manufacturing, sales, and strategic partnerships. From 2001 until 2014, when the company was acquired, Mr. Gandini served as the President of IPS Denver, a bank card personalization and packaging entity where he managed the company and market transformations to become a leader in the U.S. secured gift market space with revenues of $46M. Prior to his engagement at IPS, Mr. Gandini was the Chief Operations Officer at First World Communications, a major U.S. Internet and Data Center provider, and participated in its successful IPO in 2000 raising over $200M. Previously, Mr. Gandini founded Pace Network Services providing carrier SS7 signaling to U.S. long distance providers and facilitated a successful exit to ICG Communications on the heels of co-founding Detroit based Digital Signal in the fiber optic long haul market sector where me managed a successful exit to SP Telecom.

Mr. Gandini graduated from Michigan State University with a degree in Telecommunications. He was a scholarship NCAA Division Hockey athlete, a member of the US Junior National Team, and a US Junior All American.

Christopher Whitaker has served as our Chief Financial Officer since January 2024. Prior to his appointment as Chief Financial Officer, Mr. Whitaker served as the Company's Vice President of Finance and Accounting since February 2022. Mr. Whitaker has held various executive finance positions with large public multi-national corporations and small entrepreneurial companies throughout a progressive 30-year career that began with KPMG LLP in Denver, Colorado. Prior to joining the Company, Mr. Whitaker served as President - Americas and Vice President of Finance and Administration from February 2020 through June 2021 for North and South American operations with public, multinational corporation Elixinol, Inc. Through advancing executive roles, his responsibilities at Elixinol, Inc. included management of all financial and accounting operations, and leading marketing, sales, consumer product goods development, information technology, and human resource functions. Prior to Elixinol, Inc., Mr. Whitaker served as the Managing Director of AEGIS Financial Consulting, LLC, from January 2015 through January 2020, leading a team of consultants in providing fractional CFO and financial consulting services to a wide variety of businesses in the public and private sectors.

Mr. Whitaker has been a Certified Public Accountant since 2014. He earned his Bachelor of Science degree in Accounting from the Metropolitan State University of Denver in December 1999.

Ford B. Fay has served as a member of our Board of Directors since June 2020 and serves as the Chairperson of the Nominating and Corporate Governance Committee of our Board of Directors. Mr. Fay is currently the Director at Crown Castle International Corp., a large fiber-based telecommunications company. In this position Mr. Fay manages all aspects of Network Access Life Cycle for the company. He has held this position since 2020. From 2017 to 2020, Mr. Fay was a principal with Eagle Bay Advisors, LLC, a telecommunications consulting firm. In this position, Mr. Fay assisted clients with cost and efficiency improvements in Access Management across the life cycle spectrum of Access. From 2015 to 2017, Mr. Fay was the Vice President, Access Management for Zayo Communications. In this position Mr. Fay created and managed most aspects of offnet costs, such as, vendor selection, contracting, procurement, quoting, operationalization, vendor management, offnet ordering, offnet grooming and optimization. In this position, Mr. Fay also planned and executed the network integrations of the $1.4B acquisition of Electric Lightwave and the $350M acquisition of Canadian-based Allstream. Mr. Fay received his Bachelor of Science in Operations Research & Industrial Engineering from Cornell University, and his Master of Business Administration from University of Rochester, Simon School of Business.

J. Steven Beabout has served as a member of our Board of Directors since August 2020 and serves as the Chairperson of the Compensation Committee of our Board of Directors. Since 2018, Mr. Beabout has been consulting with various startup companies and involved in real estate investing. From 2016-2018, Mr. Beabout was General Counsel of Tectonic, LLC, a SaaS company specializing in big data analytics and customer relationship management (CRM). In this position, Mr. Beabout was in charge of Tectonic's legal department and negotiated deals with large companies like Coca-Cola, Anhueser-Busch and Wyndham Hotels. From 1996 to 2015, Mr. Beabout was General Counsel and a member of the strategic management team (executive vice-president) of Starz, a company listed on NASDAQ that competes with HBO and Netflix. During his time there, Mr. Beabout assisted with other key management personnel to grow the business from a start-up with $100M in losses to a multi-billion dollar public company. As part of strategic management team, Mr. Beabout was involved in the company's strategic business decisions and as General Counsel he was responsible for all legal aspects of business, including, but not limited to, negotiation of billion dollar plus contacts with major studios (Universal, Disney and Sony), and distributors (Comcast, Time- Warner, DIRECTV, DISH Networks, Netflix, etc.), human resources and related matters, general corporate matters, post-IPO public board matters, and reviewing filings with the Securities and Exchange Commission.

Noreen Butler has served as a member of our Board of Directors since October 2022. Ms. Butler's experience combines over 12 years in senior management and recruitment, following a 7-year career in business development. She is currently the Founder and Chief Executive Officer of RubiCorp Technologies, Inc., a private ridesharing company focused on safely transporting children ages 7+ for busy families and those in need of a safe, trusted ride. Previously, Ms. Butler had been involved in several companies in real estate, biotechnology and the technology industry, holding positions including Senior Advisor, Director of Business Development and Chief Executive Officer. From 2015 through June 2016, Ms. Butler was the Director of Business Development for Frozen Egg Bank Network, a division of global fertility company Donor Egg Bank. From 2016 to 2018, she was a Senior Advisor for Cresa, an international commercial real estate company. Ms. Butler has an undergraduate degree in Communications from Pine Manor College.

Sandy Shoemaker has served as a member of our Board of Directors since December 2021 and serves as Chairperson of the audit committee of our Board of Directors. Ms. Shoemaker retired from public accounting in June 2021 to focus on consulting with small-medium sized companies. She was a partner in the audit service area of EKS&H/Plante Moran and was involved in public accounting since 1990, serving publicly traded and privately held companies. She led the EKS&H SEC practice for several years. Ms. Shoemaker's experience includes initial and secondary public offerings, reverse mergers, annual and quarterly audits/reviews of public companies, responses to SEC comment letters, assisting with implementation of new accounting pronouncements, business acquisitions, stock-based compensation, and internal controls. Ms. Shoemaker has provided services to companies in the various industries such as biotech, franchising, distribution, manufacturing, medical-device, restaurants and real estate industries. She also has extensive experience working with employee-owned companies. Ms. Shoemaker has numerous professional affiliations including, but not limited to, American Institute of Certified Public Accountants (AICPA), the Colorado Society of Certified Public Accountants (CSCPA), and the National Center for Employee Ownership (NCEO). Ms. Shoemaker received her B.S. in Accounting, graduating cum laude, from Missouri State University.

Term of Office

Our directors hold office until the next annual meeting or until their successors have been elected and qualified, or until they resign or are removed. Our Board of Directors appoints our officers, and our officers hold office until their successors are chosen and qualify, or until their resignation or their removal.

Family Relationships

Family relationships and other related party transactions are detailed in Item 13 – Certain Relationships and Related Transactions and Director Independence.

Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any legal proceedings during the past ten years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer.

Board Diversity

Our five directors come from diverse backgrounds. We comply with Nasdaq Listing Rule 5605(f), which requires Nasdaq-listed smaller reporting companies to have at least two diverse directors.

The table below provides certain highlights of the composition of our Board members and nominees as of March 29, 2024. Each of the categories listed in the table below has the meaning as it is used in Nasdaq Listing Rule 5605(f).

Board Diversity Matrix

Total Number of Directors	5			
	Female	**Male**	**Non-Binary**	**Did Not Disclose Gender**
Gender Identity				
Directors	2	3	—	—
Demographic Background				
African American or Black	—	—	—	—
Alaskan Native or Native American	—	—	—	—
Asian	—	—	—	—
Hispanic or Latinx	—	—	—	—
Native Hawaiian or Pacific Islander	—	—	—	—
White	2	3	—	—
Two or More Races or Ethnicities	—	—	—	—
LGBTQ+		—		
Did Not Disclose Demographic Background		5*		

* Did not disclose with respect to LGBTQ+ background.

Board Meetings

Our Board of Directors held four meetings during the year ended December 31, 2023, which occurred on March 15, 2023, May 5, 2023, August 4, 2023, and November 10, 2023; and all directors attended 100% of the aggregate number of meetings of the Board and of the committees on which each of the directors served. The Board also acted by unanimous written consent eight times during the year ended December 31, 2023.

Committees

Since April 22, 2022, our Board of Directors has a designated compensation committee, consisting of Steven Beabout and Ford Fay. Our Board of Directors has a designated audit committee, consisting of Sandy Shoemaker, Steve Beabout and Ford Fay. Our Board of Directors has a nominating and corporate governance committee, consisting of Ford Fay and Steve Beabout. We also have written nominating and corporate governance, compensation, and audit committee charters.

Audit Committee Financial Expert

The Nasdaq Capital Market rules require us to have three independent audit committee members upon the listing of our Common Stock, with at least one member being an “audit committee financial expert”. Our Board of Directors has affirmatively determined that Sandy Shoemaker meets the definition of “independent director” and an “audit committee expert”, and Steve Beabout and Ford Fay qualify as “independent directors” for purposes of serving on an audit committee under Rule 10A-3 of the Securities Exchange Act of 1934, as amended and Nasdaq Capital Market rules.

Compensation Committee

The Nasdaq Capital Market rules require us to have two independent compensation committee members upon the listing of our Common Stock. Our board of directors has affirmatively determined that Steve Beabout and Ford Fay meets the definition of "independent director" for purposes of serving on a compensation committee under Rule 10A-3 of the Securities Exchange Act of 1934, as amended and Nasdaq Capital Market rules.

Nomination and Corporate Governance Committee

The Nasdaq Capital Market rules require us to have two independent nomination committee members upon the listing of our Common Stock. Our board of directors has affirmatively determined that Ford Fay and Steve Beabout meets the definition of "independent director" for purposes of serving on a nomination committee under Rule 10A-3 of the Securities Exchange Act of 1934, as amended and Nasdaq Capital Market rules.

Code of Ethics

On April 22, 2022, our Board of Directors adopted an amended and restated code of business conduct and ethics applicable to our employees, directors and officers, in accordance with applicable U.S. federal securities laws and the corporate governance rules of Nasdaq. The code of business conduct and ethics will be publicly available on our website. Any substantive amendments or waivers of the code of business conduct and ethics or code of ethics for senior financial officers may be made only by our board of directors and is promptly disclosed as required by applicable U.S. federal securities laws and the corporate governance rules of Nasdaq. Additionally, we adopted a policy on insider trading which is publicly available on our website.

Section 16(a) Beneficial Ownership

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

During the most recent fiscal year, to the Company's knowledge, the following delinquencies occurred:

Name	No. of Late Reports	No. of Transactions Reported Late	No. of Failures to File
David Gandini	0	0	0
Jerry Wenzel	0	0	0
Ford Fay	0	0	1
Steven Beabout	0	0	0
Noreen Butler	0	0	0
Sandy Shoemaker	0	0	0
Gary Graham	0	0	18

ITEM 11 - EXECUTIVE COMPENSATION.

The particulars of compensation paid to the following persons:

(a) all individuals serving as our principal executive officer during the year ended December 31, 2023;

(b) each of our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers at December 31, 2023 who had total compensation exceeding $100,000; and

(c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at December 31, 2023, Executive Officers and Directors

The following tables set forth certain information about compensation paid, earned or accrued for services by (i) the Company's Chief Executive Officer and (ii) all other executive officers who earned in excess of $100,000 in the years ended December 31, 2023, 2022, and 2021 ("Named Executive Officers"):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
David Gandini, CEO and Secretary[2]	2023	300,000	-0-	150,062 (3)	1,048,159(4)	-0-	-0-	-0-	1,498,221(3,4)
	2022	253,750	150,000	-0-	-0-	-0-	-0-	-0-	403,750
	2021	210,000	-0- (5)	43,804 (6)	-0-	-0-	-0-	-0-	253,804 (6)
Kevin Moore, Former CEO [7]	2023	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2022	40,000	-0-	-0-	-0-	-0-	-0-	-0-	40,000
	2021	185,500	-0- (8)	43,804 (9)	-0-	-0-	-0-	-0-	229,304 (9)
Jerry Wenzel, Former CFO[10]	2023	225,000	-0-	24,000(11)	-0-	-0-	-0-	-0-	249,000 (11)
	2022	185,417	-0-	287,750(12)	409,611	-0-	-0-	-0-	882,778 (12)
Scott Bennett, EVP of Bus Ops[13]	2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2022	175,000	-0-	108,500(14)	-0-	-0-	-0-	-0-	283,500 (14)
	2021	89,167	-0-	45,532(15)	540,706	-0-	-0-	-0-	675,405 (15)
Michael Watson, Former EVP of Sales & Marketing[16]	2023	158,333	-0-	-0-	-0-	-0-	-0-	-0-	158,333
	2022	175,000	-0-	162,750(17)	-0-	-0-	-0-	-0-	337,750 (17)
	2021	39,824	-0-	-0-	687,639	-0-	-0-	-0-	727,463
Dean Watson, Former CTO[18]	2021	138,472	-0-	-0-	-0-	-0-	-0-	-0-	138,472

(1) Includes amounts paid and/or accrued.
(2) Mr. Gandini was appointed as our Chief Executive Officer in October 2021. Mr. Gandini previously served as our Chief Revenue Officer and Chief Financial Officer.
(3) Includes the value of 98,080 Restricted Stock Units under our 2019 Equity Incentive Plan based on the fair market value of our common stock on the date of the grant.
(4) Includes the value of 510,000 stock options granted to acquire shares of our common stock under our 2019 Equity Incentive Plan.
(5) Since Mr. Gandini received Restricted Stock Units in lieu of a cash bonus, his bonus amount is set forth under "Stock Awards" in the above table.
(6) Includes 20,959 Restricted Stock Units under our 2019 Equity Incentive Plan, which were issued to Mr. Gandini in lieu of executive bonus he earned for 2020. The RSUs were valued based on the fair market value of our common stock on the date of grant.
(7) Mr. Moore was appointed as our Chief Executive Officer on October 25, 2019, resigned as our Chief Executive Officer effective October 18, 2021, and continued employed in a strategic advisor position until October 31, 2022.
(8) Since Mr. Moore received Restricted Stock Units in lieu of a cash bonus, his bonus amount is set forth under "Stock Awards" in the above table.
(9) Includes 20,959 Restricted Stock Units under our 2019 Equity Incentive Plan, which were issued to Mr. Moore in lieu of executive bonus he earned for 2020. The RSUs were valued based on the fair market value of our common stock on the date of grant.
(10) Mr. Wenzel was hired as our Chief Financial Officer in January 2022, resigned as our Chief Financial Officer effective December 31, 2023.
(11) Includes the value of 50,000 Restricted Stock Units under our 2019 Equity Incentive Plan based on the fair market value of our common stock on the date of the grant.
(12) Includes the value of 91,667 Restricted Stock Units under our 2019 Equity Incentive Plan based on the fair market value of our common stock on the date of grant.
(13) Mr. Bennett was hired as our Executive Vice President of Business Operations in October 2021. Effective March 15, 2023, Scott Bennett will continue as Executive Vice President of Business Operations but will no longer be an officer of the Company.
(14) Includes the value of 50,000 Restricted Stock Units under our 2019 Equity Incentive Plan based on fair market value of our common stock on the dates of grant.
(15) Includes the value of 20,000 Restricted Stock Units under our 2019 Equity Incentive Plan based on fair market value of our common stock on the dates of grant.
(16) Mr. Watson was hired as our Executive Vice President of Sales and Marketing in October 2021. Mr. Watson was terminated effective October 13, 2023.
(17) Includes the value of 75,000 Restricted Stock Units under our 2019 Equity Incentive Plan based on fair market value of our common stock on the dates of grant.
(18) Dean Watson was terminated effective August 20, 2021.

Employment Contracts

David Gandini. On January 30, 2023, we entered into an Employment Agreement with Mr. Gandini to continue to serve as our Chief Executive Officer through December 31, 2025 (the "Term"). The Term will automatically renew for additional terms of one year unless written notice not to renew is otherwise given by either Mr. Gandini or the Company.

Under the terms of the Employment Agreement, Mr. Gandini will receive an annual base salary of $300,000. For each subsequent calendar year of the Term and Renewal Terms, Mr. Gandini will receive salary adjustments as recommended by the Compensation Committee and approved by the Company's Board of Directors (the "Board"). Mr. Gandini is also entitled to participate in the Company's Annual Bonus Plan and any and all other incentive payments available to executives of the Company. Mr. Gandini may also be provided with regular equity grants commensurate with his role and as awarded by the Board pursuant to the Company's 2019 Equity Incentive Plan.

Jerry Wenzel. In connection with hiring Mr. Wenzel, we entered into an Executive Employment Agreement with Mr. Wenzel. Under the terms of his Employment Agreement, Mr. Wenzel will serve as our Chief Financial Officer until January 1, 2024, unless he is terminated pursuant to the termination provisions set forth in his agreement. Under the terms of his Employment Agreement, Mr. Wenzel will perform services for us that are customary and usual for a chief financial officer of a company, in exchange for: (i) an annual base salary of $225,000 effective January 2023, (ii) incentive stock options under our 2019 Equity Incentive Plan to acquire 66,667 shares of our common stock, at an exercise price of $8.25, which is equal to 110% of the fair market value of our common stock on January 10, 2022 (the date the options were eligible to be issued under Mr. Wenzel's Employment Agreement), and repriced effective November 4, 2022, to an exercise price of $2.39 per share with the stock options to vest in eight equal quarterly installments of 8,334 shares during the two-year term of the Employment Agreement, with a ten year term, and (iii) 16,667 Restricted Stock Units under our 2019 Equity Incentive Plan, and vested in November 2022. On November 4, 2022, Mr. Wenzel was granted 75,000 Restricted Stock Units under our 2019 Equity Incentive Plan, that vest on June 1, 2023. On November 10, 2023, Mr. Wenzel was granted 50,000 Restricted Stock Units under our 2019 Equity Incentive Plan, that vested on November 10, 2023.

Scott Bennett. On August 17, 2021, we entered into an Executive Employment Agreement with Scott Bennett (the "Bennett Agreement") to serve as our Executive Vice President of Business Operations beginning on October 18, 2021. Under the terms of the Bennett Agreement, Mr. Bennett performs services for us that are customary and usual for a EVP of business operations of a company, in exchange for: (i) a base salary of $175,000, (ii) incentive stock options under our 2019 Equity Incentive Plan to acquire up to 33,334 shares of our common stock at $9.21 per share (110% of fair market value on the date of grant), and repriced effective November 4, 2023, to an exercise price of $2.39 per share which options vest in equal quarterly installments overs a two year period, and (iii) 16,667 Restricted Stock Units under our 2019 Equity Incentive Stock Plan, which vested in November 2022. On November 4, 2022, Mr. Bennett was granted 50,000 Restricted Stock Units under our 2019 Equity Incentive Plan, that vest on June 1, 2023. The Bennett Agreement is for a two-year term. Effective March 15, 2023, Scott Bennet will continue as Executive Vice President of Business Operations but will no longer be an officer of the Company.

Prior to hiring Mr. Bennett as an executive officer, Mr. Bennett was granted (i) 3,334 Restricted Stock Units pursuant to a prior consulting arrangement with us, and (ii) a stock option to acquire 33,334 shares of our common stock at an exercise price of $10.14 per share under a prior employment agreement with us and repriced effective November 4, 2022, to an exercise price of $2.39 per share. The restricted stock units were issued under our 2019 Equity Plan and vested in November 2023. The stock options were also issued under our 2019 Equity Incentive Plan and vest in equal installments, monthly over a thirty-six (36) month period beginning May 17, 2021.

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Director Compensation

The following table sets forth director compensation for 2023:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
David Gandini	-0-	150,062(1)	1,048,159(2)	-0-	-0-	-0-	1,198,221(1)(2)
Ford Fay	-0-	81,269(3)	-0-	-0-	-0-	-0-	81,269(3)
Steven Beabout	-0-	121,972(4)	-0-	-0-	-0-	-0-	121,972(4)
Noreen Butler	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Sandy Shoemaker	-0-	-0-	-0-	-0-	-0-	-0-	-0-

(1) Includes the value of 98,080 Restricted Stock Units under our 2019 Equity Incentive Plan based on the fair market value of our common stock on the date of the grant.
(2) Includes the value of 510,000 stock options granted to acquire shares of our common stock under our 2019 Equity Incentive Plan.
(3) Includes the value of 50,000 stock options granted to acquire shares of our common stock under our 2019 Equity Incentive Plan.
(4) Includes the value of 75,000 stock options granted to acquire shares of our common stock under our 2019 Equity Incentive Plan.

We have no formal plan for compensating our directors for their service in their capacity as directors, although such directors may receive restricted stock units or stock options to purchase common shares as awarded by our Board of Directors or (as to future stock options) or the Compensation Committee of our Board of Directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board of Directors. Our Board of Directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

Outstanding Equity Awards

The following table sets forth certain information concerning outstanding stock awards held by the Named Executive Officers on December 31, 2023:

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
David Gandini[1]	370,705	-	460,000	$ 0.7902 - 2.32	November 1, 2029 - February 23, 2033[1]	-	-	98,080	$ 44,136
Jerry Wenzel	66,667	-	-	$ 2.39	January 10, 2027	-	-	-	-

(1) Under the terms of Mr. Gandini's stock option grant, 320,705 of the options expire ten (10) years from the date of vesting, or November 1, 2029. Under the terms of Mr. Gandini's stock option grant, 510,000 of the options expire ten (10) years from the date of vesting, or February 23, 2033.

Aggregated Option Exercises

No options were exercised during the year ended December 31, 2023 by our named executive officers.

Long-Term Incentive Plan

Currently, our Company does not have a formal long-term incentive plan in favor of any director, officer, consultant or employee of our Company.

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

The following table sets forth, as of March 29, 2024, certain information with respect to our equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 5% of each class of the Company's outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

Title of Class	Name and Address of Beneficial Owner (2)	Nature of Beneficial Ownership	Amount	Percent of Class (1)
Common Stock	David Gandini (3)	CEO, Secretary and Director	979,587 (4)	4.8%
Common Stock	Christopher Whitaker (3)	CFO	94,633 (5)	< 1%
Common Stock	Ford Fay (3)	Director	74,200 (6)	< 1%
Common Stock	Steven Beabout (3)	Director	751,556 (7)	3.7%
Common Stock	Noreen Butler (3)	Director	25,000 (8)	< 1%
Common Stock	Sandy Shoemaker (3)	Director	75,280 (9)	< 1%
Common Stock	Gary Graham 6400 S. Fiddlers Green Circle, Suite 1400 Greenwood Village, CO 80111	5% Holder	2,493,563 (10)	12.4%
Common Stock	Cord Carpenter 2408 Jacks Pass Austin, TX 78734	5% Holder	1,005,982	5.0%
Common Stock	Empery Debt Opportunity c/o Empery Asset Management 1 Rockefeller Plaza, Suite 1205 New York, NY 10020	5% Holder	4,461,645 (12)	19.0%
Common Stock	Armistice Capital Master Fund Ltd. c/o Armistice Capital 510 Madison Ave, 7th Floor New York, NY 10022	5% Holder	10,319,165 (11)	46.8%
	All Officers and Directors as a Group (6 persons)		2,000,256 (13)	9.5%

(1) Unless otherwise indicated, based on 20,007,465 shares of Common Stock issued and outstanding. Shares of Common Stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants but are not deemed outstanding for the purposes of computing the percentage of any other person.

(2) Unless indicated otherwise, the address of the shareholder is 6400 South Fiddlers Green Circle, Suite 1400, Greenwood Village, Colorado 80111.

(3) Indicates one of our officers or directors.

(4) Includes vested stock options to acquire 515,695 shares of our Common Stock at exercise prices from $0.7902 to $2.32 per share. Includes warrants to acquire 47,060 shares of our Common Stock at an exercise price of $2.125 per share. Does not include 98,080 restricted stock units owned by Mr. Gandini since those restricted stock units have not vested.

(5) Includes vested stock options to acquire 54,633 shares of our Common Stock at exercise prices from \$0.48 to \$2.11 per share.

(6) Includes vested stock options to acquire 66,667 shares of our common stock at exercise prices from \$0.7902 to \$2.32 per share.

(7) Includes 75,545 held in the name of C&S Trust, a trust controlled by Kathren Beabout, who is Mr. Beabout's spouse. Mr. Beabout's children are the beneficiaries of C&S Trust. Mr. Beabout also has interests in IDTEC, LLC and SOBR Safe, LLC, both of which own shares of our common stock. Mr. Beabout does not have a controlling interest in either entity so the stock owned by those entities is not reflected in his ownership. Includes vested stock options to acquire 75,000 shares of our common stock at an exercise price of \$2.32 per share. Includes warrants to acquire 117,600 shares of our Common Stock at an exercise price of \$2.125 per share.

(8) Includes vested stock options to acquire 25,000 shares of our Common Stock at an exercise price of \$3.06 per share.

(9) Includes vested stock options to acquire 25,000 shares of our Common Stock at an exercise price of \$2.17 per share. Includes warrants to acquire 23,520 shares of our Common Stock at an exercise price of \$2.125 per share.

(10) Includes shares owned in the name of IDTEC, LLC and SOBR Safe, LLC, both of which are controlled by a limited liability company that is controlled by Mr. Graham. IDTEC, LLC and SOBR Safe, LLC. Includes warrants to acquire 47,868 shares of our Common Stock at an exercise price of \$2.125 per share.

(11) Includes warrants purchased in the May 2022 Uplist Financing to acquire 2,023,400 shares of our Common Stock at an exercise price of \$2.125 per share, warrants purchased in the PIPE Offering to acquire 3,378,378 shares of our Common Stock at an exercise price of \$1.350 per share, and warrants acquired and subject to Adjustment terms (as defined in the respective Warrants) of the March 2022 Armistice Warrant and the September Armistice Warrant to acquire 4,917,387 shares of our Common Stock at an exercise price of \$0.62 per share; however the number of shares for this Beneficial Owner gives effect to the beneficial ownership limitations where the beneficial owner may not exercise these warrants and prefunded warrants to the extent such exercise would cause the beneficial owner to beneficially own a number of shares of Common Stock which would exceed 4.99%, or 9.99%, as applicable, of our then outstanding common stock following such exercise, excluding for purposes of such determination shares of common stock issuable upon exercise of the warrant which have not been exercised.

(12) Includes common share equivalents for convertible debt purchased in March 2023 of 3,216,764 and warrants to acquire 290,248 shares of our Common Stock at an exercise price of \$0.62 per share.

(13) Includes an aggregate of 761,995 vested options to purchase our Common Stock, and 188,180 shares underlying warrants held by our officers and directors.

We are not aware of any person who owns of record, or is known to own beneficially, five percent or more of the outstanding securities of any class of the issuer, other than as set forth above. We are not aware of any person who controls the issuer as specified in Section 2(a)(1) of the 1940 Act. There are no classes of stock other than common and convertible preferred stock issued or outstanding. We do not have an investment advisor.

There are no current arrangements which will result in a change in control.

Equity Compensation Plan Information

On October 24, 2019, our 2019 Equity Incentive Plan (the "Plan") went effective. The Plan was approved by our Board of Directors and the holders of a majority of our voting stock on September 9, 2019. The Plan's number of authorized shares under the Plan was originally 1,282,823. In January 2022, the holders of a majority of our voting stock approved an amendment to the Plan that increased the number of shares authorized under the Plan to 1,733,333. In June 2023, the holders of a majority of our voting stock approved an amendment to the Plan that increased the number of shares authorized under the Plan to 3,500,000.

The following table sets forth information as of December 31, 2023, with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance, aggregated as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plan approved by security holders	3,500,000	$ 1.99	1,611,216
Equity compensation plan not approved by security holders	-	-	-
Total	3,500,000	$ 1.99	1,611,216

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

Certain Relationships and Related Transactions, and Director Independence

Our Board of Directors and Audit Committee are responsible for reviewing and approving related person transactions, as defined in applicable rules promulgated by the SEC. Officers are required to bring any potential related person transaction to the Company's Board of Directors and Audit Committee. Officers would present any actual or proposed transactions with related persons to the Board of Directors and Audit Committee for its review and approval.

David Gandini is one of our named executive officers. Mr. Gandini's sons, Greg Gandini and Robert Gandini, are employees of SOBR Safe. Greg Gandini's and Robert Gandini's total compensation was approximately $165,000 and $90,000, respectively. These compensation arrangements are consistent with those made available to other employees of SOBR Safe with similar years of experience and positions within the Company. Greg Gandini and Robert Gandini each also participate in Company benefit plans and equity incentive plans available to all other employees in similar positions.

Currently, four of our directors are considered independent, namely Steven Beabout, Ford Fay, Noreen Butler, and Sandy Shoemaker. NASDAQ Listing Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship that, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of $120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- the director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year or $200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the company's outside auditor, or at any time during the past three years was a partner or employee of the company's outside auditor, and who worked on the company's audit.

Corporate Governance

As of December 31, 2023, our Board of Directors consisted of David Gandini, Noreen Butler, Ford Fay, Steven Beabout, and Sandy Shoemaker. As of December 31, 2023, four of our directors qualified as an "independent director" as the term is used in NASDAQ rule 5605(a)(2), namely Noreen Butler, Ford Fay, Steven Beabout, and Sandy Shoemaker. Our Board of Directors has a designated compensation committee, consisting of Steven Beabout and Ford Fay. Our Board of Directors has a designated audit committee, consisting of Sandy Shoemaker, Steve Beabout and Ford Fay. Our Board of Directors has a designated nominating and corporate governance committee consisting of Ford Fay and Steve Beabout.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

The aggregate fees billed for the two most recently completed fiscal periods ended December 31, 2023 and December 31, 2022 for professional services rendered by Macias, Gini, & O'Connell, LLP (MGO), independent registered public accounting firm, for the audits for the years ended December 31, 2023 and December 31, 2022, quarterly reviews of our interim consolidated financial statements in 2023 and 2022, and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Audit Fees (1)	$ -	$ 128,700
Audit Related Fees (2)	17,250	90,150
Tax Fees (3)	-	750
All Other Fees (4)	8,400	-
Total	$ 25,650	$ 219,600

(1) Audit fees include fees and expenses for professional services rendered in connection with the audit of our financial statements for those years, reviews of the interim financial statements that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) Audit related fees consist of fees billed for assurance related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees". Included in audit related fees are fees and expenses related to reviews of registration statements and SEC filings other than annual reports on Form 10-K and quarterly reports on Form 10-Q.

(3) Tax fees include the aggregate fees billed during the fiscal year indicated for professional services for tax compliance, tax advice and tax planning.

(4) All other fees consist of fees for products and services other than the services reported above.

The aggregate fees billed for the two most recently completed fiscal periods ended December 31, 2023 and December 31, 2022 for professional services rendered by Haynie, independent registered public accounting firm, for the audits for the years ended December 31, 2023 and December 31, 2022, quarterly reviews of our interim consolidated financial statements in 2023 and 2022, and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Audit Fees (1)	$ 30,000	$ -
Audit Related Fees (2)	2,500	-
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total	$ 32,500	$ -

(1) Audit fees include fees and expenses for professional services rendered in connection with the audit of our financial statements for those years, reviews of the interim financial statements that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) Audit related fees consist of fees billed for assurance related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees". Included in audit related fees are fees and expenses related to reviews of registration statements and SEC filings other than annual reports on Form 10-K and quarterly reports on Form 10-Q.

(3) Tax fees include the aggregate fees billed during the fiscal year indicated for professional services for tax compliance, tax advice and tax planning.

(4) All other fees consist of fees for products and services other than the services reported above.

Audit Committee Pre-Approval Policies and Procedures

All audit and non-audit services are pre-approved by the Audit Committee and were pre-approved by the full Board prior to the formation of the Audit Committee in April 2023, which considers, among other things, the possible effect of the performance of such services on the registered public accounting firm's independence. The Audit Committee pre-approves the annual engagement of the principal independent registered public accounting firm, including the performance of the annual audit and quarterly reviews for the subsequent fiscal year, and pre-approves specific engagements for tax services performed by such firm. The Audit Committee has also established pre-approval policies and procedures for certain enumerated audit and audit-related services performed pursuant to the annual engagement agreement, including such firm's attendance at and participation at Audit Committee and Board meetings; services of such firm associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings, such as comfort letters and consents; such firm's assistance in responding to any SEC comment letters; and consultations with such firm as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, Public Company Accounting Oversight Board ("*PCAOB*"), Financial Accounting Standards Board ("*FASB*"), or other regulatory or standard-setting bodies. The Audit Committee is informed of each service performed pursuant to its pre-approval policies and procedures.

Auditor Independence

The Audit Committee has considered the role of Haynie in providing services to us for the year ended December 31, 2023, and has concluded that such services are acceptable with such firm's independence.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On April 18, 2023, based on the recommendation of the Audit Committee (the "Audit Committee") and approval of the Board of Directors of SOBR Safe, Inc., (the "Company"), the Company dismissed Macias Gini & O'Connell LLP ("MGO") as the Company's independent registered public accounting firm. The decision to dismiss MGO as the independent registered public accounting firm of the Company is not the result of any disagreement with MGO.

On April 18, 2023, following the recommendation of the Audit Committee and approval of the Board of Directors, the Company engaged Haynie as the Company's independent registered public accounting firm for the year ending December 31, 2023, effective immediately. There have been no disagreements with Haynie on accounting and financial disclosure.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

For a list of financial statements and supplementary data filed as part of this Annual Report, see the Index to Financial Statements beginning at page F-1 of this Annual Report.

(a)(2) Financial Statement Schedules

We do not have any financial statement schedules required to be supplied under this Item.

(a)(3) Exhibits

Refer to (b) below.

(b) Exhibits

Exhibit Number	Exhibit Description	Reference Form	Reference Exhibit	Filed or Furnished Filing Date	Herewith
3.1	Articles of Incorporation of Imagine Media, Ltd.	SB-2	3.1	01/31/2008	
3.2	Articles of Amendment to Articles of Incorporation to TransBiotec, Inc.	S-1	3.2	11/06/2012	
3.3	Certificate of Amendment to Certificate of Incorporation filed with the State of Delaware on May 25, 2017	10-K	3.3	02/06/2019	
3.4	Amended and Restated Bylaws of SOBR Safe, Inc.	8-K	3.1	11/19/2019	
3.5	Certificate of Amendment to Certificate of Incorporation of TransBiotec, Inc. changing name to SOBR Safe, Inc., effecting 1-for-33.26 reverse stock split and decreasing authorized common stock to 100M shares	8-K	3.1	06/11/2020	
4.1	Form of Representative's Warrant between SOBR Safe, Inc. and Aegis Capital Corp.	8-K	4.1	05/19/2022	
4.2	Warrant Agency Agreement between SOBR Safe, Inc. and Equiniti Trust Company dated May 17, 2022	8-K	4.2	05/19/2022	
4.3	Form of Unit Warrant, issued May 18, 2022	8-K	4.3	05/19/2022	
10.1	TransBiotec, Inc. 2019 Equity Incentive Plan	8-K	10.1	11/19/2019	
10.2*	Employment Agreement with David Gandini dated October 25, 2019	8-K	10.3	11/19/2019	
10.3	Amendment No. 1 to Asset Purchase Agreement dated March 23, 2020 by and between IDTEC, LLC and TransBiotec, Inc.	10-Q	10.12	05/26/2020	
10.4	Form of Convertible Promissory Note Issued to IDTEC, LLC at Close of Asset Purchase Transaction	8-K	10.3	06/11/2020	
10.5	Waiver Under Asset Purchase Agreement and Post-Closing Covenant Agreement dated June 5, 2020 by and between IDTEC, LLC and TransBiotec, Inc.	8-K	10.4	06/11/2020	
10.6	Warrant to Purchase Common Stock dated June 5, 2020 issued to IDTEC, LLC	8-K	10.5	06/11/2020	
10.7*	Advisory Agreement with Steven Beabout dated October 9, 2020	10-K	10.16	03/31/2021	
10.8	18% Original Issue Discount Convertible Debenture issued by SOBR Safe, Inc. to Armistice Capital Master Fund Ltd. dated September 27, 2021	8-K	10.1	10/01/2021	
10.9	Warrant to Purchase Common Stock issued by SOBR Safe, Inc. to Armistice Capital Master Fund Ltd. dated September 27, 2021	8-K	10.2	10/01/2021	
10.10	Securities Purchase Agreement by and between SOBR Safe, Inc. and Armistice Capital Master Fund Ltd. dated September 27, 2021	8-K	10.3	10/01/2021	
10.11	Registration Rights Agreement by and between SOBR Safe, Inc. and Armistice Capital Master Fund Ltd. dated September 27, 2021	8-K	10.4	10/01/2021	
10.12	Form of" Secured Convertible Debenture issued by SOBR Safe, Inc. in $2M Regulation D Offering	S-1/A	10.21	12/01/2021	
10.13	Form of" Warrant issued by SOBR Safe, Inc. in Regulation D Offering	S-1/A	10.22	12/01/2021	
10.14*	Executive Employment Agreement with Scott Bennett dated August 17, 2021	S-1/A	10.24	01/19/2022	

10.15*	Executive Employment Agreement with Michael Watson dated October 11, 2021	S-1/A	10.25	01/19/2022	
10.16*	Executive Employment Agreement with Gerard Wenzel dated January 1, 2022	8-K	10.1	01/19/2022	
10.17	Form of Share Exchange Agreement with David Gandini and Gary Graham for Series B Preferred Stock	S-1/A	10.28	03/17/2022	
10.18	Common Stock Purchase Warrant issued by SOBR Safe, Inc. to Armistice Capital Master Fund Ltd dated March 30, 2022	S-1	10.30	09/16/2022	
10.19	Waiver by and between SOBR Safe, Inc. and Armistice Capital Master Fund Ltd. dated March 30, 2022	8-K	10.1	04/01/2022	
10.20	Securities Purchase Agreement by and between SOBR Safe, Inc. and Aegis Capital Corp. dated September 28, 2022	8-K	10.1	10/03/2022	
10.21	Registration Rights Agreement by and between SOBR Safe, Inc. and Purchasers dated September 30, 2022.	8-K	10.2	10/03/2022	
10.22	Form of Pre-Funded Warrant Agreement by and between SOBR Safe, Inc. and Purchasers dated September 30, 2022	8-K	10.3	10/03/2022	
10.23	Form of Warrant Agreement by and between SOBR Safe, Inc. and Purchasers dated September 30, 2022	8-K/A	10.4	10/14/2022	
10.24*	Executive Employment Agreement with David Gandini dated January 30th, 2023	8-K	10.1	02/03/2023	
10.25	Purchase Agreement between SOBR Safe, Inc. and Purchasers dated March 7, 2023	8-K	10.1	03/13/2023	
10.26	Registration Rights Agreement between SOBR Safe, Inc. and Purchasers dated March 7, 2023	8-K	10.2	03/13/2023	
10.27	Form of Senior Convertible Note between SOBR Safe, Inc. and Holders dated March 9, 2023	8-K	10.3	03/13/2023	
10.28	Common Stock Purchase Warrant between SOBR Safe, Inc. and Holders dated March 9, 2023	8-K	10.4	03/13/2023	
10.29	Amended And Restated Common Stock Purchase Warrant dated September 30, 2022 issued by SOBR Safe, Inc. to Armistice Capital Master Fund Ltd. amending the original warrant dated March 30, 2022	S-1	10.35	10/14/2022	
10.30	Amended And Restated Common Stock Purchase Warrant dated September 30, 2022 issued by SOBR Safe, Inc. to Armistice Capital Master Fund Ltd. amending the original warrant dated September 27, 2021	S-1	10.36	10/14/2022	
10.31*	Consulting Agreement by and between SOBR Safe, Inc. and Winterstone Group, LLC dated January 21, 2022	8-K	10.1	07/27/2022	
10.32	Services Agreement by and between SOBR Safe, Inc. and TraDigital Marketing Group, LLC dated January 18, 2022	8-K	10.2	07/27/2022	
10.33	Confirming Agreement by and between SOBR Safe, Inc. and Winterstone Group, LLC dated May 16, 2022	8-K	10.3	07/27/2022	
10.34	Confirming Agreement by and between SOBR Safe, Inc. and TraDigital Marketing Group, LLC dated May 16, 2022	8-K	10.4	07/27/2022	
21.1	List of Subsidiaries	10-K	21.1	03/31/2023	
23.1	Consent of Independent Registered Public Accounting Firm				X
23.2	Consent of Independent Registered Public Accounting Firm				X
31.1	Principal Executive Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Principal Financial Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Principal Executive Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Principal Financial Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
97.1	Compensation Recovery Policy				X
101.INS	Inline XBRL Instance Document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				X

* Indicates a management contract or compensatory plan or arrangement.

**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.

(c) Financial Statement Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or the notes thereto.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

SOBR Safe, Inc.

Dated: March 29, 2024	By: */s/ David Gandini* David Gandini Its: Chief Executive Officer, Principal Executive Officer, and Secretary
Dated: March 29, 2024	By: */s/ Christopher Whitaker* Christopher Whitaker Its: Chief Financial Officer, Principal Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 29, 2024	By: */s/ Christopher Whitaker* Christopher Whitaker, Chief Financial Officer, Principal Financial Officer
Dated: March 29, 2024	By: */s/ David Gandini* David Gandini, Chief Executive Officer, Principal Executive Officer, and Director
Dated: March 29, 2024	By: */s/ Ford Fay* Ford Fay, Director Chairperson of Corporate Governance & Nominating Committee
Dated: March 29, 2024	By: */s/ Steven Beabout* Steven Beabout, Lead Director Chairperson of Compensation Committee
Dated: March 29, 2024	By: */s/ Noreen Butler* Noreen Butler, Director
Dated: March 29, 2024	By: */s/ Sandy Shoemaker* Sandy Shoemaker, Director, Chairperson of Audit Committee

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Supplementary Data:

Not applicable

Report of Independent Registered Public Accounting Firm
(PCAOB Number 457)

To the Board of Directors and Shareholders of SOBR Safe, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of SOBR Safe, Inc. (the Company) as of December 31, 2023, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred recurring losses from operations and has limited cash liquidity and capital resources to meet future capital requirements. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Critical Audit Matters

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

Critical Audit Matter – Valuation and Presentation of Stock Options, Warrants, and RSUs

Critical Audit Matter Description

The Company has several outstanding equity instruments including stock options, stock warrants, and restricted stock units (RSUs). The valuation of these instruments involves complex calculations and judgments by the Company, including the expected term of the instrument and the volatility of the Company's stock price for that term. These calculations and judgements have a significant impact on the financial statements, including the equity section of the balance sheet and stock-based compensation on the income statement. In addition, several of the instruments are issued to directors and executives, and so there are related party transactions that must be properly accounted for and disclosed. The footnotes of the financial statements also should have extensive disclosures surrounding the nature of the instruments, including weighted average calculations of expected terms and exercise prices.

How the Critical Audit Matter was Addressed in the Audit

Our principal procedures related to the Company's valuation and presentation of equity instruments for these specific elements are the following:

- We evaluated the inputs and their judgments used by management for the valuation model of the equity instruments.
- We independently determined inputs that would be used in valuation calculations to determine if our calculations were materially different than the Company's.
- We carefully evaluated the disclosure of information relevant to the equity instruments that is required by accounting standards.

/s/ Haynie and Company
We have served as the Company's auditor since 2023.
Littleton, Colorado
Firm ID 457
March 29, 2024

Report of Independent Registered Public Accounting Firm
(PCAOB Number 324)

To the Board of Directors and Shareholders of SOBR Safe, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SOBR Safe, Inc. and Subsidiaries (the "Company") as of December 31, 2022, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

We served as SOBR Safe, Inc.'s auditor from 2018 through 2023.

/s/ Macias Gini & O'Connell LLP

Irvine, CA
March 31, 2023

SOBR SAFE, Inc.
CONSOLIDATED BALANCE SHEETS

		December 31, 2023		December 31, 2022
ASSETS				
Current assets				
Cash	$	2,790,147	$	8,578,997
Accounts receivable, net		25,280		30,322
Inventory		342,782		215,493
Prepaid expenses		213,261		200,905
Total current assets		3,371,470		9,025,717
Intellectual technology, net		2,473,429		2,858,893
Operating lease right-of-use assets		274,713		-
Other assets		27,427		27,427
Total Assets	$	6,147,039	$	11,912,037
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities				
Accounts payable	$	525,665	$	142,965
Accrued expenses		726,940		392,282
Accrued interest payable		96,988		469,691
Related party payables		-		1,887
Operating lease liabilities, current portion		97,108		-
Notes payable – related parties, net		11,810		866,262
Notes payable – non-related parties, net		64,331		948,597
Total current liabilities		1,522,842		2,821,684
Operating lease liabilities, less current portion		203,295		-
Notes payable - non-related parties-less current portion, net		2,305,898		-
Accrued interest payable		132,467		-
Total Liabilities		4,164,502		2,821,684
Stockholders' Equity (Deficit)				
Preferred stock, $0.00001 par value; 16,300,000 shares authorized, no shares issued or outstanding at December 31, 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 December 31, 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 December 31, 2023 and December 31, 2022		-		-
Series B Convertible Preferred stock, $0.00001 par value; 3,000,000 shares authorized; no shares issued or outstanding at December 31, 2023 and 3,000,000 shares issued and outstanding at December 31, 2022		-		30
Common stock, $0.00001 par value; 100,000,000 shares authorized; 18,582,241 and 16,984,570 shares issued and outstanding including shares held in treasury at December 31, 2023 and December 31, 2022, respectively		186		170
Treasury stock, at cost; 12,329 as of December 31, 2023 and December 31, 2022		(38,015)		(38,015)
Additional paid-in capital		89,840,017		87,509,666
Accumulated deficit		(87,765,981)		(78,327,845)
Total SOBR Safe, Inc. stockholders' equity (deficit)		2,036,207		9,144,006
Noncontrolling interest		(53,670)		(53,653)
Total Stockholders' Equity (Deficit)		1,982,537		9,090,353
Total Liabilities and Stockholders' Equity (Deficit)	$	6,147,039	$	11,912,037

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

SOBR SAFE, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Year Ended December 31, 2023	For The Year Ended December 31, 2022
Revenues	$ 157,292	$ 35,322
Cost of goods sold	94,942	19,315
Gross profit	62,350	16,007
Operating expenses:		
General and administrative	6,400,723	6,024,001
Stock-based compensation expense	2,245,871	3,008,395
Research and development	1,016,302	1,397,053
Total operating expenses	9,662,896	10,429,449
Loss from operations	(9,600,546)	(10,413,442)
Other income (expense):		
Other income	216,211	230,414
Gain (loss) on debt extinguishment, net	(26,125)	245,105
Gain on fair value adjustment - derivatives	-	1,040,000
Interest expense	(804,261)	(3,457,007)
Total other expense, net	(614,175)	(1,941,488)
Loss before provision for income taxes	(10,214,721)	(12,354,930)
Provision for income taxes	-	-
Net loss	(10,214,721)	(12,354,930)
Net loss attributable to noncontrolling interest	17	17
Net loss attributable to SOBR Safe, Inc.	(10,214,704)	(12,354,913)
Deemed dividends related to underwritten public offering warrants down round provision	-	(5,005,857)
Deemed dividends related to Original Warrants and New Warrant down round provision	-	(3,495,583)
Net loss attributable to common stockholders	$ (10,214,704)	$ (20,856,353)
Basic and diluted loss per common share	$ (0.56)	$ (1.90)
Weighted average number of common shares outstanding	18,147,830	11,003,049

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

SOBR SAFE, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Preferred Stock		Treasury Stock						
	Shares	**Amount ($0.00001 Par)**	**Shares**	**Amount ($0.00001 Par)**	**Shares**	**Amount (at cost)**	**Additional Paid-in Capital**	**Accumulated Deficit**	**SOBR Safe, Inc.**	**Noncontrolling Interest**	**Total Stockholders' Equity (Deficit)**
Balances at January 1, 2022	**8,778,555**	**$ 88**	**-**	**$ -**	**-**	**$ -**	**$ 57,041,447**	**$ (57,471,492)**	**$ (429,957)**	**$ (53,636)**	**$ (483,593)**
Common stock issued for restricted stock units vested	191,919	2	-	-	-	-	-	-	2	-	2
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)	-	-	-	-
Additional common stock issued upon reverse stock split	1,012	-	-	-	-	-	-	-	-	-	-
Common stock and warrants issued in public equity offering, net of issuance costs	2,352,942	24	-	-	-	-	8,694,339	-	8,694,363	-	8,694,363
Common stock and warrants issued in private equity offering, net of issuance costs	1,925,677	19	-	-	-	-	5,121,954	-	5,121,973	-	5,121,973
Common stock issued upon exercise of stock warrants, net of issuance costs	3,775,942	38	-	-	-	-	3,328,105	-	3,328,143	-	3,328,143
Common stock issued upon exercise of stock options	48,106	-	-	-	-	-	38,015	-	38,015	-	38,015
Purchase of treasury stock	-	-	-	-	(12,329)	(38,015)	-	-	(38,015)	-	(38,015)
Common stock issued for services	902,500	9	-	-	-	-	864,491	-	864,500	-	864,500
Paid-in capital – fair value of stock options and restricted stock units vested	-	-	-	-	-	-	3,008,395	-	3,008,395	-	3,008,395

Paid in capital - relative fair value of stock warrants granted	-	-	-	-	-	-	864,000	-	864,000	-	864,000
Deemed dividends related to underwritten public offering warrants down round provision	-	-	-	-	-	-	5,005,857	(5,005,857)	-	-	-
Deemed dividends related to Original Warrants and New Warrant down round provision	-	-	-	-	-	-	3,495,583	(3,495,583)	-	-	-
Net loss	-	-	-	-	-	-	-	(12,354,913)	(12,354,913)	(17)	(12,354,930)
Balances at December 31, 2022	**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**
Paid-in capital – fair value of stock options and restricted stock units vested	**-**	**-**	**-**	**-**	**-**	**-**	**2,245,871**	**-**	**2,245,871**	**-**	**2,245,871**
Paid-in capital – relative fair value of stock warrants granted, net of issuance costs	**-**	**-**	**-**	**-**	**-**	**-**	**398,517**	**-**	**398,517**	**-**	**398,517**
Conversion of preferred stock to common stock	**1,000,000**	**10**	**(3,000,000)**	**(30)**	**-**	**-**	**20**	**-**	**-**	**-**	**-**
Common stock issued for restricted stock units vested	**235,000**	**3**	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**

Common stock issued upon conversion of convertible debt	**150,000**	**1**	**-**	**-**	**-**	**-**	**221,181**	**-**	**221,182**	**-**	**221,182**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,214,704)**	**(10,214,704)**	**(17)**	**(10,214,721)**
Balances at December 31, 2023	**18,594,570**	**$ 186**	**-**	**-**	**(12,329)**	**$ (38,015)**	**$ 89,840,017**	**$ (87,765,981)**	**$ 2,036,207**	**$ (53,670)**	**$ 1,982,537**

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

SOBR SAFE, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended December 31, 2023	For The Year Ended December 31, 2022
Operating Activities:		
Net loss	$ (10,214,721)	$ (12,354,930)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	385,464	385,464
Amortization of debt discounts	562,690	2,295,586
(Gain) loss on debt extinguishment	26,125	(245,105)
Change in fair value of derivative liability	-	(1,040,000)
Stock-based compensation expense	2,245,871	3,008,395
Stock issued for professional services	-	864,500
Non-cash interest expense	29,638	-
Non-cash lease expense	55,994	-
Bad debt expense	3,124	-
Changes in assets and liabilities:		
Accounts receivable	1,918	(30,322)
Inventory	(127,289)	(176,032)
Prepaid expenses	655,507	86,238
Other assets	-	3,148
Accounts payable	382,700	(127,185)
Accrued expenses	334,658	1,037,486
Accrued interest payable	(237,564)	217,581
Related party payables	(1,887)	(80,996)
Operating lease liabilities	(30,304)	-
Net cash used in operating activities	(5,928,076)	(6,156,172)
Financing Activities:		
Proceeds from notes payable - non-related parties	3,000,001	-
Repayments of notes payable – non-related parties	(1,323,025)	(242,797)
Repayments of notes payable - related parties	(1,000,000)	-
Debt issuance costs	(537,750)	-
Proceeds from public equity offering	-	10,004,245
Cost of public equity offering	-	(1,309,882)
Proceeds from private equity offering	-	5,997,873
Cost of private equity offering	-	(875,900)
Proceeds from exercise of stock warrants, net	-	3,328,143
Repayments of convertible debenture payable	-	(3,048,781)
Net cash provided by financing activities	139,226	13,852,901
Net Change In Cash	(5,788,850)	7,696,729
Cash At The Beginning Of The Period	8,578,997	882,268
Cash At The End Of The Period	$ 2,790,147	$ 8,578,997
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
Deemed dividends related to underwritten public offering warrants down round provision	$ -	$ 5,005,857
Deemed dividends related to Original Warrants and New Warrant down round provision	$ -	$ 3,495,583
Derecognition of convertible debenture	$ -	$ 3,048,781
Reacquisition value of convertible debenture	$ -	$ (3,912,781)
Fair value of shares issued for services	$ -	$ (719,000)
Exchange of common shares from exercise of stock options	$ -	$ 38,015
Reclassification of common shares from reverse stock split	$ -	$ 155
Supplemental Disclosure:		
Cash paid for interest	$ 446,069	$ 30,722
Cash paid for income taxes	$ -	$ -

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

SOBR SAFE, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 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 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 located 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 audited consolidated financial statements 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") for the presentation of annual financial information.

In management's opinion, the audited consolidated financial statements reflect all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position at December 31, 2023 and December 31, 2022, and results of operations and cash flows for the years ended December 31, 2023 and December 31, 2022.

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

Use of Estimates
The preparation of audited consolidated financial statements in conformity with generally accepted accounting principles 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 assets, 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 is 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.

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 December 31, 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 as of December 31, 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 $982 in allowance for doubtful accounts and no allowance for doubtful accounts at December 31, 2023 and December 31, 2022, respectively.

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 obsolescence at December 31, 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 Standard" 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 derivate 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 audited consolidated statements of operations under other income (expense). The company had no derivative instruments as of December 31, 2023.

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 audited consolidated balance sheet.

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 our 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 of1.4% at December 31, 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 years ended December 31, 2023 and 2022, respectively.

Revenue Recognition

The Company enters 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) the 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.

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 are 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 in advance 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 audited consolidated balance sheet. Right-of-use ("ROU") assets and liabilities are recognized on the audited consolidated balance sheet 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.

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 $190,614 and $169,010 during the years ended December 31, 2023 and December 31, 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 December 31, 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 the 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.

Concentration of Risk
Credit Risk – Financial instruments that potentially subject the Company to concentration of credit risk consisted 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.

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 significantly increased, 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. Comparative periods have not been restated and continue to be reported under the accounting standard in effect for those periods.

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 audited 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 resources in the near future. Sources of debt financing may result in additional 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 December 31, 2023, the Company has an accumulated deficit of approximately $87,800,000. During the year ended December 31, 2023, the Company also experienced negative cash flows from operating activities of approximately $5,900,000 and has $2,305,000 of convertible notes payable due in various amounts in March 2025. These principal conditions and events, when considered in the aggregate, could 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. However, the Company has identified factors that may mitigate the probable conditions that have raised substantial doubt about the entity's ability to continue as a going concern.

Based on an evaluation of current operating cash usage, management identified several areas in which the Company is capable to reduce spend should it be needed. This includes reductions in operating headcount, discretionary sales & marketing spend, investor relations initiatives, and product/software research and development planning. Ongoing activities to identify and reduce monthly expenses by management will continue in perpetuity until such time financial liquidity and substantial cash flow from sales are realized.

Management believes the introduction of its SOBRsure™ product in Q3-2023 and a defined focus on the multi-vertical Behavior Health space have well-positioned the Company to generate a positive improvement in revenue generation and positive cash flows from sales.

Management believes that cash balances of approximately $2,800,000 and positive working capital of approximately $1,900,000 at December 31, 2023, do not provide adequate 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 December 31, 2023. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before December 31, 2023. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of December 31, 2023.

NOTE 3. INVENTORY

Inventory at December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Component parts	$ 59,157	$ 68,643
Finished goods	283,625	146,850
Inventory	**$ 342,782**	**$ 215,493**

NOTE 4. PREPAID EXPENSES

Prepaid expenses at December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Insurance	$ 156,724	$ 150,344
Deposit	15,736	15,736
Rent	16,714	-
Other	24,087	34,825
Prepaid expenses	**$ 213,261**	**$ 200,905**

On May 18, 2023, the Company purchased Directors & Officers insurance prepaying annual premiums of $367,352 through a eight-month financing arrangement (see Note 9). The Company recorded $9,167 of insurance expense related to the prepaid Directors & Officers insurance during the year ended December 31, 2023.

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 atwelve-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 $9,310 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.

Total operating lease expense was $180,895, which included $38,719 of variable lease expense and $65,375 of short-term lease expense during the year ended December 31, 2023.

Operating lease obligations recorded on the audited consolidated balance sheet at December 31, 2023 are as follows:

Operating lease liabilities, current portion	$	97,108
Operating lease liabilities – less current portion		203,295
Total Operating Lease Liabilities	**$**	**300,403**

Future lease payments included in the measurement of operating lease liabilities on the audited consolidated balance sheet at December 31, 2023 are as follows:

2024	$	121,831
2025		125,644
2026		95,063
Total future minimum lease payments		342,538
Less imputed interest		(42,135)
Total Operating Lease Liabilities	**$**	**300,403**

The weighted average remaining lease term is 33 months, and the weighted average discount rate is 10%.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2023:

	Gross Carrying Amount	**Accumulated Amortization**	**Net Intangible Asset**	**Amortization Period (in years)**
SOBRsafe™ Intellectual Technology	$ 3,854,675	$ 1,381,246	$ 2,473,429	10

Intangible assets consisted of the following at December 31, 2022:

	Gross Carrying Amount	**Accumulated Amortization**	**Net Intangible Asset**	**Amortization Period (in years)**
SOBRsafe™ Intellectual Technology	$ 3,854,675	$ 995,782	$ 2,858,893	10

Amortization expense was $385,464 for the years ended December 31, 2023 and 2022.

Estimated future amortization expense for device technology intangible assets is as follows:

2024	**2025**	**2026**	**2027**	**2028**	**Thereafter**
$ 385,464	$ 385,464	$ 385,464	$ 385,464	$ 385,464	$ 546,109

NOTE 7. RELATED PARTY TRANSACTIONS

On March 1, 2022 the Board of Directors approved the designation of3,000,000 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 and666,667 shares of the Company's common stock held by IDTEC SPV, LLC, an entity controlled by a beneficial owner of the Company (see Note 11). 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 a transfer of value.

NOTE 8. ACCRUED EXPENSES

Accrued expenses at December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Consulting services	328,196	197,897
R&D services	220,000	-
Other	178,744	194,385
Accrued expenses	**$ 726,940**	**$ 392,282**

NOTE 9. NOTES PAYABLE

RELATED PARTIES

Related party notes payable at December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Convertible Notes Payable with Warrants – 2021 Debt Offering	$ -	$ 1,000,000
Non-Convertible Notes 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 $27,501 and $120,000 for the years ended December 31, 2023 and 2022, respectively.

Related Party Convertible Notes Payable with Warrants – 2021 Debt Offering

During March, April, and May 2021, as 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 patents applications, include interest at 12%, are convertible at $9 per share of the Company's common stock and are 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 audited consolidated statements of operations and was none and $167,913 for the years ended December 31, 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 $52,837 and $275,500 for the years ended December 31, 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 $ 26,125 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 that has a principal balance of $11,810 as of December 31, 2023 and 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:

	December 31, 2023	December 31, 2022
Convertible Notes Payable with Warrants – 2023 Debt Offering	$ 3,219,724	$ -
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 Note Payable	37,648	61,792
Unamortized Debt Discount	(913,826)	(144,878)
Net Non-Related Party Notes Payable	$ 2,370,229	$ 948,597
Current Portion	(64,331)	(948,597)
Net Long-Term Portion	**$ 2,305,898**	**$ -**

Total interest expense for non-related party notes was $240,311 and $134,628 for the years ended December 31, 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 may be converted voluntarily by the Purchaser at any time the principal amounts are outstanding into shares of our common stock at a conversion price of $2.28. The Notes are due March 10, 2025, and accrue interest quarterly at 5% per annum. The accrued interest is compounded quarterly, payable on the maturity date, if not sooner converted. 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 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 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.

Upon issuance, 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 was being 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 consolidated statements of operations was none and $231,353 for the years ended December 31, 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 $272,350 for the years ended December 31, 2023 and 2022, respectively.

The Company fully repaid the remaining principal and accrued interest on the notes during 2023, prior to maturity. 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 for the years ended December 31, 2023 and 2022, respectively. 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 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 for the years ended December 31, 2023 and 2022, respectively. These notes carry interest ranging from 9% - 10% and have due dates ranging from December 2013 to November 2015. The notes are currently in default.

Premium Financing Note Payable

On May 25, 2022, the Company entered into a financing agreement for payment of its annual Directors & Officers 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 $274,559 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 payments of its annual Directors & Officers 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. The financing liability balance at December 31, 2023 was $37,648.

NOTE 10. COMMON STOCK

The Company’s common stock transactions for the year ended December 31, 2023 consisted of the following:

The Company issued 225,000 shares of common stock to a consultant for investor relations services.

The Company issued 235,000 shares of its common stock for RSUs vested during 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 11).

The Company’s common stock transactions for the year ended December 31, 2022 consisted of the following:

The Company issued 191,919 shares of its common stock for 175,252 RSUs vested during 2022 and 16,667 RSUs vested during 2021.

The Company issued 7,917 shares of common stock upon conversion of a $47,500 convertible note payable.

The Company exchanged 1,000,000 shares of common stock for 3,000,000 shares of Series B Convertible Preferred Stock (see Note 11).

The Company issued 1,012 shares of common stock in connection with the rounding provision of the 1-for-3 reverse stock split effective in 2022

On May 18, 2022, the Company issued 2,352,942 shares of common stock in connection with a completed underwritten public offering. The Company received approximately $8,700,000 of net proceeds from the sale of 2,352,942 units (Units) at a public offering price of $4.25 per Unit, with each Unit consisting of one share of our Common Stock, and two warrants each to purchase one share of Common Stock.

On September 30, 2022, the Company received approximately $5,120,000 of net proceeds from the sale of 4,054,055 PIPE units at an offering price of $1.48 per PIPE unit. In connection with the PIPE Offering, the Company issued 1,925,677 Non-Prefunded Units and 2,128,378 Prefunded Units priced at-the-market under Nasdaq rules. The Prefunded Units were sold at the same price less the Prefunded Warrant exercise price of $0.001. Each Non-Prefunded Unit consists of one share of common stock and one non-tradable Non-Prefunded Warrant exercisable for one share of common stock, at a price of $1.35, subject to adjustments pursuant to the non-prefunded warrant agreement (“Non-Prefunded Warrant Agreement”). Each Prefunded Unit consists of one share of a Non-Prefunded Warrant and one non-tradable Prefunded Warrant exercisable for one share of common stock, at a price of $1.35 less the Prefunded Warrant exercise price of $0.001, subject to adjustments pursuant to the prefunded warrant agreement (“Prefunded Warrant Agreement”).

The Company issued 1,647,564 shares of its common stock under the terms of the May 2022 underwritten public offering at the stock warrant exercise price of $2.125 per share.

The Company issued 2,128,378 shares of its common stock under the terms of the September 2022 PIPE offering at the Prefunded stock warrant exercise price of $0.001 per share.

The Company issued 48,106 shares of its common stock at the stock options exercise price of $0.79026 per share. Proceeds from the options exercised included 12,329 shares of the Company’s previously issued common stock surrendered by the option holders and classified as Treasury Stock at December 31, 2022.

The Company issued 500,000 shares of its common stock to a consultant as a prepayment for strategic advisory and digital marketing services. The common shares were issued at $0.91 per share with a fair value on the date of issuance of $455,000.

The Company issued 300,000 shares of its common stock to a consultant as prepayment for business development consulting services. The common shares were issued at $0.88 per share with a fair value on the date of issuance of $264,000.

The Company issued 75,000 shares of its common stock to a beneficial owner of the Company for the professional services (see Note 6). The common shares were issued at $0.94 per share with a fair value on the date of issuance of $70,500.

The Company issued 27,500 shares of its common stock to a consultant as prepayment for investor relation services. The common shares were issued at $2.73 per share with a fair value on the date of issuance of $75,000.

NOTE 11. 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 Corporation'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 (not to be affected by any reverse stock split in connection with the Asset Purchase Agreement with IDTEC), (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 Company entered into the Share Exchange Agreements to provide certain changes to its capital structure in connection with the planned underwriting offering and listing on Nasdaq. The convertible preferred stock is classified as a permanent equity instrument. The exchange of common stock for the convertible preferred stock results in no value transfer from the common shareholders to the preferred shareholders and vice versa should the preferred stock be converted back to common. 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 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 a transfer of value.

NOTE 12. 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 either the Black-Scholes pricing model or the Monte Carlo simulation option pricing model 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. As of December 31, 2023, 3,623,613 warrants remain outstanding.

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 9), 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 value of these non-employee stock warrants granted during the years ended December 31, 2023 and 2022 totaled $560,998 and $27,540,584, respectively, and were determined using the Monte Carlo simulation and Black-Scholes option pricing models based on the following assumptions:

	December 31, 2023	December 31, 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%	2.45–4.62%
Life of Warrants	3-5 Years	1-7 Years

The following table summarizes the changes in the Company's outstanding warrants during the years ended December 31, 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, 2022	10,387,877	$ 1.35 -9.00	5.11 Years	$ 1.56	$ -
Warrants Granted	611,998	1.35-2.52	3.39 Years	2.09	-
Warrants Exercised	-				
Warrants Expired	394,167	2.56-9.00	0 Years	8.02	-
Balance at December 31, 2023	10,605,708	1.35-5.31	4.59 Years	1.70	-

	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	13,375,461	$ 1.35 – 5.3125	4.38 Years	$ 1.94	$ -
Warrants Exercised	(3,775,942)	$ 0.001 – 2.125		$ 0.88	
Warrants Expired/Forfeited	(48,106)	$ 3.118		$ 3.118	
Balance at December 31, 2022	10,387,877	$ 1.35 – 9.00	5.11 Years	$ 1.56	$ -

Share-Based Compensation

On October 24, 2019, the Company's 2019 Equity Incentive Plan (the *"Plan")* went effective authorizing 1,282,823 shares of Company common stock for issuance as stock options and restricted stock units ("*RSUs")* to employees, directors or consultants. The Plan was approved by the Company's Board of Directors and the holders of a majority of the Company's voting stock on September 9, 2019. In January 2022, the stockholders approved and ratified an amendment to increase the shares authorized under the Plan to 1,733,333. In June 2023, the stockholders approved and ratified an amendment to increase the shares authorized under the Plan to 3,500,000.

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

Stock Options

As of December 31, 2023 and December 31, 2022, the Company has granted stock options to acquire 1,692,473 and 1,086,813 shares of common stock under the Plan, respectively. As of December 31, 2023, the Plan had 1,014,828 vested options and 677,645 non-vested options. As of December 31, 2022, the Plan had 930,573 vested options and 173,009 non-vested options. The stock options are held by our officers, directors, employees, and certain key consultants.

For the years ended December 31, 2023 and 2022, the Company recorded in stock-based compensation expense $1,604,827 and $1,582,217, respectively, of share-based compensation related to stock options. The unrecognized compensation expense as of December 31, 2023 was $1,138,937 which will be recognized over periods ranging from 5 to 34 months.

On November 4, 2022, the Company's Board of Directors approved for a total of 305,000 stock options having exercise prices ranging from $8.25 - $10.56 to be repriced at 110% ($2.39) and 100% ($2.17) of the current price of the Company's stock for employees and Board members, respectively. The incremental fair value of the options as a result of the repricing was determined to be $55,859. Of this amount, $29,900 related to vested options and was recognized as compensation expense in 2022. The remaining $1,786 of unrecognized expense will be recognized over periods ranging from 3 to 9 months.

In applying the Black-Scholes options pricing model, assumptions used to compute the fair value of the stock options granted or repriced during the years ended December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Exercise Price	$ 0.48-2.16	$ 1.54-9.075
Dividend Yield	0%	0%
Volatility	143%-207%	89%-192%
Risk-free Interest Rate	4.09%-5.04%	0.78%-4.01%
Expected Life	1-6 years	1-3 years

The following tables summarize the changes in the Company's outstanding stock options during the years ended December 31, 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	$ 3.40	$ 5,804,517
Options Granted	120,000	$ 1.54 - 9.08	3.42 Years	$ 5.79	$ -
Options Exercised	(48,106)	$ 0.79		$ 0.79	
Options Cancelled	-				
Options Expired/Forfeited	(21,667)	$ 4.94 - 10.73		$ 9.33	
Balance at December 31, 2022	1,103,583	$ 0.79 - 9.30	5.33 Years	$ 1.71	$ -
Exercisable at December 31, 2022	930,573	$ 0.79 - 9.30	5.83 Years	$ 1.60	$ -

	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	1,075,000	$ 0.48-2.32	4.09 Years	$ 1.17	-
Options Exercised	-				
Options Cancelled	-				
Options Expired/Forfeited	(486,110)	$ 0.79-2.39	-	$ 1.19	$ -
Balance at December 31, 2023	1,692,473	0.48-9.30	5.66	$ 2.01	$ -
Exercisable at December 31, 2023	1,014,828	0.48-9.30	4.36	$ 2.14	$ -

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. During the year ended December 31, 2023, the Company granted 148,080 service based RSUs to executive officers and employees and no service based RSUs to directors. All RSUs granted in 2023 vest during various periods between November 2023 and January 2026. During the year ended December 31, 2022, the Company granted 281,667 service based RSUs to executive officers and employees and 140,000 service based RSUs to directors. All RSUs granted in 2023 vest during various periods between November 2023 and January 2026.

The following table summarizes RSU activity under the Plan for the years ended December 31, 2023 and 2022:

	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	148,080	1.18	1.60 Years
Vested	(315,000)	$ 1.90	
Unvested at December 31, 2023	213,080	$ 1.88	1.74 Years

For the years ended December 31, 2023 and 2022, the Company recorded in stock-based compensation expense $641,043 and $1,426,178, respectively, of RSU based compensation. The fair value of RSUs granted during the years ended December 31, 2023, and 2022 was $174,062 and $1,112,725, respectively. As of December 31, 2023, total unrecognized compensation costs of RSUs granted and outstanding but not yet vested was $124,190 which is expected to be recognized over 24 months.

Executive Officers Stock Options and RSUs

The Company had 437,372 outstanding executive officers stock options exercisable at $0.7902 to $2.387 per share with a weighted average remaining contractual life of 7.51 years as of December 31, 2023, and 537,371 outstanding executive stock options exercisable at $0.7902 to $2.387 per share with a weighted average remaining contractual life of 5 years as of December 31, 2022. The Company had 98,080 unvested RSUs granted to executive officers with a remaining weighted average vesting period of 24 months as of December 31, 2023. The Company had 200,000 unvested RSUs granted to executive officers with a remaining weighted average vesting period of 5 months as of December 31, 2022.

On January 1, 2022, the Company entered into an Employment Agreement with Jerry Wenzel to serve as the Company's Chief Financial Officer for a two-year period. Under the terms of the agreement, the Company granted Mr. Wenzel under the Plan stock options to acquire 66,667 shares of our common stock at an exercise price of $8.25 per share, repriced effective November 4, 2022 to an exercise price of $2.387 per share, and 16,667 RSUs. The stock options vest in equal quarterly installments over a two-year period during the term of his Employment Agreement. On November 4, 2022, Mr. Wenzel was granted 75,000 RSUs that vest June 1, 2023. The RSUs per share weighted average fair value at grant date was $2.17. On November 10, 2023, Mr. Wenzel was granted 50,000 RSUs that vested immediately. The RSUs per share weighted average fair value at grant date was $0.48. Mr. Wenzel was granted a total of 66,667 stock options that were vested as of December 31, 2023. None of the vested stock options have been exercised and no shares have been issued as of December 31, 2023. A total of 125,000 RSUs vested in 2023 and common shares were issued in the same amount.

On January 30, 2023, the Company entered into an Employment Agreement with David Gandini to continue to serve as the Company's Chief Executive Officer through December 31, 2025. On February 23, 2023, Mr. Gandini was granted stock options to acquire 510,000 shares of our common stock at an exercise price of $2.32 per share. The options vest in equal quarterly installments over a period of 34 months. Mr. Gandini was granted a total of 50,000 stock options that were vested as of December 31, 2023. None of the vested stock options have been exercised and no shares have been issued as of December 31, 2023. On August 4, 2023, Mr. Gandini was granted 98,080 RSUs that vest January 1, 2026. The RSUs per share weighted average fair value at grant date was $1.53.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On December 6, 2006, Orange County Valet and Security Patrol, Inc. filed a lawsuit against us in Orange County California State Superior Court for Breach of Contract in the amount of $11,164. A default judgment was taken against us in this matter. In mid-2013, we learned the Plaintiff's perfected the judgment against us, but we have not heard from the Plaintiffs as of December 2023. As of December 31, 2023, the Company has accrued $11,164 plus accrued interest of approximately $19,000. In the event we pay any money related to this lawsuit, IDTEC agreed, in connection with us closing a 2020 asset purchase transaction with IDTEC, to pay the amount for us in exchange for shares of our common stock.

NOTE 14. INCOME TAXES

Deferred income taxes arise from the temporary differences between financial statement and income tax recognition of net operating losses. These loss carryovers are limited under the Internal Revenue Code should a significant change in ownership occur.

For the years ended December 31, 2023, and 2022, the Company incurred net losses and therefore has no tax liability. The Company began operations in 2007 and has net operating loss carry-forwards of approximately $39,824,000 that will be carried forward and can be used through the year 2028 and beyond to offset future taxable income. In the future, the cumulative net operating loss carry forward for income tax purposes may differ from the cumulative financial statement loss due to timing differences between financial and tax reporting. Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards of approximately $39,824,000 for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be further limited to use in future years.

As of December 31, 2023 and 2022, the deferred tax asset of approximately $9,714,000 and $7,283,000, respectively, created by the net operating losses has been offset by a 100% valuation allowance because the likelihood of realization of the tax benefit cannot be determined. The change in the valuation allowance in 2023 and 2022 was approximately $2,429,000 and $3,154,000, respectively.

There is no current or deferred tax expense for the years ended December 31, 2023 and 2022. The Company has not filed its tax returns for the years 2012 through 2023; however, management believes there are no taxes due as of December 31, 2023 and 2022.

The Company includes interest and penalties arising from the underpayment of income taxes in general and administrative expense in the consolidated statements of operations.

The provision for Federal income tax consisted of the following for the years ended December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
Income tax benefit attributable to:		
Net loss	$ (10,214,704)	$ (12,354,930)
Permanent differences	2,382,227	1,732,832
Valuation allowance	7,832,477	10,622,098
Net provision for income tax	$ -	$ -

The cumulative tax effect at the expected federal tax rate of21% of significant items comprising our net deferred tax amount is as follows on December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
Deferred tax asset attributable to:		
Net operating loss carry forward	$ 7,723,005	$ 5,759,000
Valuation allowance	(7,723,005)	(5,759,000)
Net deferred tax asset	$ -	$ -

The cumulative tax effect at the expected state tax rate of5% of significant items comprising our net deferred tax amount is as follows on December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
Deferred tax asset attributable to:		
Net operating loss carry forward	$ 1,991,222	$ 1,524,000
Valuation allowance	(1,991,222)	(1,524,000)
Net deferred tax asset	$ -	$ -

The Company has identified the United States Federal tax returns as its “major” tax jurisdiction. The United States Federal tax return years 2012 – 2023 are still subject to tax examination by the United States Internal Revenue Service; however, we do not currently have any ongoing tax examinations.

NOTE 15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through March 29, 2024, which is the date the consolidated financial statements were available to be issued.

On March 5, 2024, the Company’s Senior Convertible Noteholders elected to convert a total of $804,695 (the “Conversion Amount”) pertaining to the 2023 Debt Offering into 1,297,895 shares of the Company’s common stock at $0.62 per share. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investors are sophisticated, familiar with our operations, and there was no general solicitation or advertising. In addition, pursuant to the March 4, 2024, Inducement Letters, the exercise prices for Common Stock Purchase Warrants issued on September 30, 2022, in relation to the PIPE Offering and Common Stock Purchase Warrants issued on March 9, 2023 related to the 2023 Debt Offering were permanently reduced to $0.62 per share.

On March 6, 2024, pursuant to the Adjustment terms of the March 2022 Armistice Warrants and the September 2021 Armistice Warrant as a result of the Inducement Letters, the Company issued an aggregate 2,659,031 warrants (the “Armistice Warrants”) consisting of (i) 2,127,225 warrants pursuant to the Adjustment terms under the September 2021 Armistice Warrant, and (ii) 531,806 warrants pursuant to the Adjustment terms of the March 2022 Armistice Warrant . In addition, the Armistice Warrants include conditions where the warrant exercise price may be adjusted downward in the event securities instruments or exercise prices are subsequently issued or reduced, respectively, below the then current exercise prices of $1.35 per unit of the Armistice Warrants. Where the Inducement Letters stipulate a reduction in the warrant securities exercise prices below the Armistice Warrant exercise price of $1.35 per unit, the conditions of a downward adjustment were met reducing the Armistice Warrants exercise price permanently to $0.62 per unit. The issuance of these securities was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor is accredited, familiar with our operations, and there was no general solicitation or advertising.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Subsidiary	Jurisdiction of Incorporation
TransBiotec, Inc.	California

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (no 333-272940) of our report dated March 31, 2023, relating to the consolidated financial statements of SOBR Safe, Inc. and Subsidiaries as of and for the year ended December 31, 2022.

Macias Gini O'Connell LLP

Irvine, California

March 29, 2024

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of SOBR Safe, Inc. on Form S-8 (No. 333-272940), of our report dated relating to our audit of the consolidated financial statements, which appears in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ Haynie & Company

Haynie & Company
Littleton, Colorado

EXHIBIT 31.1

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

I, David Gandini, certify that:

I have reviewed this Annual Report on Form 10-K of SOBR Safe, Inc.;

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;

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;

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

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: March 29, 2024

By: */s/ David Gandini*
David Gandini
Chief Executive Officer

EXHIBIT 31.2

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

I, Christopher Whitaker, certify that:

I have reviewed this Annual Report on Form 10-K of SOBR Safe, Inc.;

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;

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;

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

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: March 29, 2024

By: */s/ Christopher Whitaker*
Christopher Whitaker
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Annual Report of SOBR Safe, Inc. (the "Company") on Form 10-K for the year ended December 31, 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: March 29, 2024

/s/ David Gandini
By: David Gandini
Its: Chief 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.

EXHIBIT 32.2

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

In connection with the Annual Report of SOBR Safe, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Christopher Whitaker, 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: March 29, 2024

/s/ Christopher Whitaker
By: Christopher Whitaker
Its: 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.

SOBR SAFE, INC.
CLAWBACK POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Adopted by the Board of Directors on November 30, 2023

Effective December 1, 2023

Purpose

In accordance with the applicable rules of The Nasdaq Stock Market (the "Nasdaq Rules"), and Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Board of Directors (the "Board") of SOBR Safe, Inc. (the "Company") has adopted this Policy (the "Policy") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers.

Definitions

1. "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

2. "Clawback Eligible Incentive Compensation" means all Incentive-based Compensation Received by an Executive Officer (i) on or after October 2, 2023, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

3. "Clawback Period" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

4. "Committee" means the Compensation Committee (if composed entirely of independent directors), or in the absence of such a committee, a majority of independent directors serving on the Board.

5. "Erroneously Awarded Compensation" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

6. "Executive Officer" means those current and former executive officers as determined by the Committee in accordance with the definition of Executive Officer set forth in Rule 10D-1 and Nasdaq Listing Rule 5608.

7. "Financial Reporting Measures" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

8. "Incentive-based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

9. "Nasdaq" means The Nasdaq Stock Market.

10. "Received" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed Received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

11. "Restatement Date" means the earlier to occur of (i) the date the Board, a committee of the Board, or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Policy

1. Recovery of Erroneously Awarded Compensation.

(a) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with the Nasdaq Rules and Rule 10D-1 as follows:

(i) After an Accounting Restatement, the Committee shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

(A) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement: (I) the amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and (II) the Company shall maintain documentation of the determination of such reasonable estimate and provide such documentation to Nasdaq.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section 1(b) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(b) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 1(a) above if the Committee determines that recovery would be impracticable and either of the following two conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to Nasdaq; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

2 . Disclosure Requirements. The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules.

3. Prohibition of Indemnification. The Company shall not be permitted to insure or indemnify any Executive Officer against: (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy; or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

4. Administration and Interpretation.

(a) This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

(b) The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with the Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

5. Amendment; Termination. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section 5 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq Rule.

6. Other Recovery Rights. This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

Exhibit A

ACKNOWLEDGEMENT OF CLAWBACK POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

I, the undersigned, acknowledge and agree that:

1. I have received and read the attached Clawback Policy for the Recovery of Erroneously Awarded Compensation (the "Policy");

2. I hereby agree to abide by all of the terms of the Policy both during and after by employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with the Policy; and

3. In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program, or arrangement under which Incentive-based Compensation has been granted, awarded, earned, or paid to me, whether or not deferred, the terms of the Policy shall govern.

Any capitalized terms used in this Acknowledgment that are not otherwise defined shall have the meaning ascribed to them in Policy.

____

Name:

Date: