

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2024**

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

For the transition period from _____ to _____.

Commission file number: **000-53316**

SOBR SAFE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

26-0731818

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

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

(Address of principal executive offices)

80111

(Zip Code)

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

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

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)

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of May 15, 2024, there were 20,007,465 shares of common stock, \$0.00001 par value, issued and outstanding

SOBR SAFE, INC.

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PART I – FINANCIAL INFORMATION

Forward-Looking Statement Disclaimer

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

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

ITEM 1 Condensed Consolidated Financial Statements

The condensed consolidated balance sheets as of March 31, 2024, and December 31, 2023, the condensed consolidated statements of operations for the three months ended March 31, 2024, and 2023, the condensed consolidated statements of changes in stockholders' equity (deficit) for the three months ended March 31, 2024, and 2023, and the condensed consolidated statements of cash flows for the three months ended March 31, 2024, and 2023, follow. The unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal and recurring nature.

SOBR SAFE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024	December 31, 2023
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 1,336,250	\$ 2,790,147
Accounts receivable, net	25,125	25,280
Inventory	320,603	342,782
Prepaid expenses	160,804	213,261
Other current assets	15,300	-
Total current assets	<u>1,858,082</u>	<u>3,371,470</u>
Intellectual technology, net	2,377,063	2,473,429
Operating lease right-of-use assets	252,863	274,713
Other assets	27,427	27,427
Total Assets	<u>\$ 4,515,435</u>	<u>\$ 6,147,039</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 632,738	\$ 525,665
Accrued expenses	522,455	726,940
Accrued interest payable	231,626	96,988
Operating lease liabilities, current portion	100,525	97,108
Notes payable - related parties	11,810	11,810
Notes payable - non-related parties, net	1,900,611	64,331
Total current liabilities	<u>3,399,765</u>	<u>1,522,842</u>
Operating lease liabilities, less current portion	176,734	203,295
Notes payable – non-related parties-less current portion, net	-	2,305,898
Accrued interest payable	-	132,467
Total Liabilities	<u>3,576,499</u>	<u>4,164,502</u>
Stockholders' Equity (Deficit)		
Common stock, \$0.00001 par value; 100,000,000 shares authorized, 19,995,136 and 18,582,241 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	200	186
Treasury stock, at cost; 12,329 shares as of March 31, 2024 and December 31, 2023	(38,015)	(38,015)
Additional paid-in capital	92,823,937	89,840,017
Accumulated deficit	(91,793,511)	(87,765,981)
Total SOBR Safe, Inc. stockholders' equity (deficit)	992,611	2,036,207
Noncontrolling interest	(53,675)	(53,670)
Total Stockholders' Equity (Deficit)	<u>938,936</u>	<u>1,982,537</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 4,515,435</u>	<u>\$ 6,147,039</u>

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

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Three Months Ended March 31,	
	2024	2023
	(Unaudited)	(Unaudited)
Revenues	\$ 47,990	\$ 47,868
Cost of goods and services	24,781	30,064
Gross profit	23,209	17,804
Operating expenses:		
General and administrative	1,415,562	1,584,950
Stock-based compensation expense	214,398	698,913
Research and development	102,034	180,918
Total operating expenses	1,731,994	2,464,781
Loss from operations	(1,708,785)	(2,446,977)
Other income (expense):		
Other income	21,255	70,470
Notes payable – conversion expense	(585,875)	-
Interest expense	(232,516)	(225,185)
Total other expense, net	(797,136)	(154,715)
Loss before provision for income taxes	(2,505,921)	(2,601,692)
Provision for income taxes	-	-
Net loss	(2,505,921)	(2,601,692)
Net loss attributable to noncontrolling interest	5	5
Net loss attributable to SOBR Safe, Inc.	\$ (2,505,916)	\$ (2,601,687)
Deemed dividends related to Convertible Debt Warrants down round provision	(23,270)	-
Deemed dividends related to PIPE Warrants down round provision	(42,539)	-
Deemed dividends related to Original Warrants and New Warrants down round provision	(1,455,805)	-
Net loss attributable to common stockholders	\$ (4,027,530)	\$ (2,601,687)
Basic and diluted loss per common share	\$ (0.21)	\$ (0.15)
Weighted average number of common shares outstanding, basic and diluted	19,077,870	17,092,070

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

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

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity SOBR Safe, Inc.	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount (\$0.00001 Par)	Shares	Amount (\$0.00001 Par)	Shares	Amount (at cost)					
Balances at January 1, 2023	16,984,570	\$ 170	3,000,000	\$ 30	(12,329)	\$ (38,015)	\$ 87,509,666	\$ (78,327,845)	\$ 9,144,006	\$ (53,653)	\$ 9,090,353
Cumulative effect of adopting ASU 2020-06	-	-	-	-	-	-	(909,214)	776,568	(132,646)	-	(132,646)
Common stock issued for services	225,000	2	-	-	-	-	211,498	-	211,500	-	211,500
Warrants issued for services	-	-	-	-	-	-	162,481	-	162,481	-	162,481
Paid-in capital – fair value of stock options and restricted stock units vested	-	-	-	-	-	-	698,913	-	698,913	-	698,913
Paid in capital - relative fair value of stock warrants granted, net of issuance costs	-	-	-	-	-	-	398,517	-	398,517	-	398,517
Net loss	-	-	-	-	-	-	-	(2,601,687)	(2,601,687)	(5)	(2,601,692)
Balances at March 31, 2023	17,209,570	\$ 172	3,000,000	\$ 30	(12,329)	\$ (38,015)	\$ 88,071,861	\$ (80,152,964)	\$ 7,881,084	\$ (53,658)	\$ 7,827,426
Balances at January 1, 2024	18,594,570	\$ 186	-	\$ -	(12,329)	\$ (38,015)	\$ 89,840,017	\$ (87,765,981)	\$ 2,036,207	\$ (53,670)	\$ 1,982,537
Common stock issued for restricted stock units vested	115,000	1	-	-	-	-	(1)	-	-	-	-
Common stock issued upon conversion of convertible debt	1,297,895	13	-	-	-	-	1,247,909	-	1,247,922	-	1,247,922
Paid in capital – fair value of stock options and restricted stock units vested	-	-	-	-	-	-	214,398	-	214,398	-	214,398
Deemed dividends related to Convertible Debt Warrants down round provision	-	-	-	-	-	-	23,270	(23,270)	-	-	-

Deemed dividends related to PIPE Warrants down round provision	-	-	-	-	-	-	42,539	(42,539)	-	-	-
Deemed dividends related to Original Warrants and New Warrants down round provision	-	-	-	-	-	-	1,455,805	(1,455,805)	-	-	-
Net loss	-	-	-	-	-	-	-	(2,505,916)	(2,505,916)	(5)	(2,505,921)
Balances at March 31, 2024	<u>20,007,465</u>	<u>\$ 200</u>	<u>-</u>	<u>-</u>	<u>(12,329)</u>	<u>\$ (38,015)</u>	<u>\$ 92,823,937</u>	<u>\$ (91,793,511)</u>	<u>\$ 992,611</u>	<u>\$ (53,675)</u>	<u>\$ 938,936</u>

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

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Three Months Ended	
	March 31,	
	<u>2024</u>	<u>2023</u>
	(Unaudited)	(Unaudited)
Operating Activities:		
Net loss	\$ (2,505,921)	\$ (2,601,692)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	96,366	96,366
Amortization of debt discounts	149,295	156,242
Non-cash lease expense	21,850	-
Non-cash interest expense	80,784	-
Non-cash conversion expense	585,875	-
Bad debt expense	202	882
Stock-based compensation expense	214,398	698,913
Changes in assets and liabilities:		
Accounts receivable	(47)	(648)
Inventory	22,179	(34,239)
Prepaid expenses	14,808	162,477
Other assets	(15,300)	-
Accounts payable	107,073	198,159
Accrued expenses	(204,486)	(87,986)
Accrued interest payable	2,171	(177,927)
Operating lease liabilities	(23,144)	-
Net cash used in operating activities	<u>(1,453,897)</u>	<u>(1,589,453)</u>
Financing Activities:		
Proceeds from notes payable - non-related parties	-	3,000,001
Repayments of notes payable – non-related parties	-	(611,792)
Repayments of notes payable - related parties	-	(550,000)
Debt issuance costs	-	(537,750)
Net cash provided by financing activities	<u>-</u>	<u>1,300,459</u>
Net Change In Cash	(1,453,897)	(288,994)
Cash At The Beginning Of The Period	<u>2,790,147</u>	<u>8,578,997</u>
Cash At The End Of The Period	<u>\$ 1,336,250</u>	<u>\$ 8,290,003</u>
Schedule Of Non-Cash Investing And Financing Activities:		
Non-related party debt converted to capital	<u>\$ 853,680</u>	<u>\$ -</u>
Financing of prepaid insurance premiums	<u>\$ 37,649</u>	<u>\$ -</u>
Deemed dividends related to Convertible Debt Warrants down round provision	<u>\$ 23,270</u>	<u>\$ -</u>
Deemed dividends related to PIPE Warrants down round provision	<u>\$ 42,539</u>	<u>\$ -</u>
Deemed dividends related to Original Warrants and New Warrants down round provision	<u>\$ 1,455,805</u>	<u>\$ -</u>
Issuance of common stock and warrants for prepaid services	<u>\$ -</u>	<u>\$ 373,981</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 266</u>	<u>\$ 245,822</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

SOBR SAFE, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024

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.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles (“GAAP”) as promulgated in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). These unaudited condensed consolidated financial statements and the notes thereto should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2023, included in the Company’s Annual Report on Form 10-K filed with the SEC on March 31, 2024.

In management’s opinion, the unaudited condensed consolidated financial statements reflect all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position as of March 31, 2024, and December 31, 2023, and results of operations and cash flows for the three-month periods ended March 31, 2024 and 2023.

Principles of Consolidation

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

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, such estimates were made by the Company for the recoverability and useful lives of long-lived 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 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.

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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 March 31, 2024 and December 31, 2023, the Company did not have financial instruments requiring valuation from observable or unobservable inputs to determine fair value on a recurring basis.

Cash

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents. The Company does not have any cash equivalents at March 31, 2024 and December 31, 2023.

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 no allowance for doubtful accounts and \$982 in allowance for doubtful accounts at March 31, 2024, and December 31, 2023, 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 March 31, 2024, and December 31, 2023.

Prepaid Expenses

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

Beneficial Conversion Features

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

Derivative Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date. For derivative financial instruments that are accounted for as liabilities, the derivative instruments are initially recorded at their fair values and are then re-valued at each reporting date, with changes in fair value reported in the unaudited condensed consolidated statements of operations under other income (expense). The company had no derivative instruments as of March 31, 2024.

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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 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, we classify our preferred shares in stockholders' equity.

Noncontrolling Interest

A subsidiary of the Company has minority members representing ownership interests of 1.4% at March 31, 2024 and December 31, 2023. 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 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 three-month periods ended March 31, 2024, and 2023, 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) 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 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 SOBR'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 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 unaudited condensed consolidated balance sheet. Right-of-use ("ROU") assets and liabilities are recognized on the unaudited condensed 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.

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Stock-based Compensation

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

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 and software.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations as incurred. Advertising and marketing costs were \$52,847 and \$21,301 during the three-month periods ended March 31, 2024, and 2023, 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 March 31, 2024 and December 31, 2023 as these have been offset by a 100% valuation allowance.

Loss Per Share

Basic loss per 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, restricted stock units, 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.

The following table summarizes potential dilutive securities outstanding at the end of each reporting period that were excluded from the calculation of diluted net loss per share as including them would have been anti-dilutive for the three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Stock options	1,598,306	1,953,583
Restricted stock units	98,080	380,000
Warrants	13,264,740	10,816,542
Convertible instruments	4,160,226	1,552,718
Total dilutive securities	<u>19,121,352</u>	<u>14,702,843</u>

Concentration of Credit 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 are 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.

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Concentration of Suppliers – The Company relies on a limited number of component and contract suppliers to assemble and distribute its product. If supplier shortages occur, or quality problems arise, production and distribution 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 flow.

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 account 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 unaudited 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 develop and sell 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 March 31, 2024, the Company has an accumulated deficit of approximately (\$1,800,000). During the three months ended March 31, 2024, the Company experienced negative cash flows from operating activities of approximately (\$1,450,000) and has approximately \$2,000,000 of current 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.

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Management believes the introduction of its SOBRsureTM product in Q3-2023 and a defined focus on the multi-vertical Behavioral 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 \$1,300,000 and negative working capital of approximately (\$1,500,000) at March 31, 2024, 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 March 31, 2024. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before May 15, 2024. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of March 31, 2024.

NOTE 3. INVENTORY

Inventory consisted of the following:

	March 31, 2024	December 31, 2023
Component parts	\$ 59,200	\$ 59,157
Finished goods	261,403	283,625
Inventory	\$ 320,603	\$ 342,782

NOTE 4. PREPAID EXPENSES

Prepaid expenses consisted of the following:

	March 31, 2024	December 31, 2023
Insurance	\$ 63,887	\$ 156,724
Deposit	15,736	15,736
Rent	-	16,714
Other	81,181	24,087
Prepaid expenses	\$ 160,804	\$ 213,261

On May 18, 2023, the Company purchased Directors & Officers insurance prepaying annual premiums of \$367,352 through an eight-month financing arrangement (see Note 8). The Company recorded \$266 of insurance expense related to the prepaid Directors & Officers insurance during the three-month period ended March 31, 2024.

NOTE 5. LEASES

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

The Company entered into its lease agreement to rent office space for a twelve-month period beginning July 1, 2022, with a monthly base rent of \$9,744. The lease did not contain renewal options and was considered a short-term lease at inception. In April 2023, the Company executed an amendment to extend the term of the lease from July 1, 2023, through September 30, 2026. The amended lease provides for a 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.

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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 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 \$29 through May 2026.

Total operating lease expense was \$50,265, which included \$21,340 of variable lease expense during the three-month period ended March 31, 2024.

Operating lease obligations recorded on the unaudited consolidated balance sheet at March 31, 2024 are as follows:

Operating lease liabilities, current portion	\$ 100,525
Operating lease liabilities – less current portion	176,734
Total Operating Lease Liabilities	\$ 277,259

Future lease payments included in the measurement of operating lease liabilities on the audited consolidated balance sheet at March 31, 2024 are as follows:

2024	\$ 91,611
2025	125,644
2026	95,063
Total future minimum lease payments	312,318
Less imputed interest	(35,059)
Total Operating Lease Liabilities	\$ 277,259

The weighted average remaining lease term is 30 months, and the weighted average discount rate is 10%.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consisted of the following at March 31, 2024:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Intangible Asset</u>	<u>Amortization Period (in years)</u>
SOBRsafe™ Intellectual Technology	\$ 3,854,675	\$ 1,477,612	\$ 2,377,063	10

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

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

Amortization expense was \$96,366 for each of the three-month periods ended March 31, 2024, and 2023.

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

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>
\$	289,098	\$ 385,464	\$ 385,464	\$ 385,464	\$ 385,464	\$ 546,109

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following:

	March 31, 2024	December 31, 2023
Consulting services	\$ 170,202	\$ 328,196
R&D Services	220,000	220,000
Other	132,253	178,744
Total Accrued expenses	\$ 522,455	\$ 726,940

NOTE 8. NOTES PAYABLE**RELATED PARTIES**

Related party notes payable consist of the following:

	March 31, 2024	December 31, 2023
Non-Convertible Note Payable	\$ 11,810	\$ 11,810
Less Current Portion	(11,810)	(11,810)
Net Long-Term Portion	\$ -	\$ -

Related Party Non-Convertible Note Payable

The Company has one non-convertible note payable to a related party that has a principal balance of \$1,810 as of March 31, 2024, and December 31, 2023. The note carries an interest rate at 0%. The note payable had a due date of December 31, 2012, and is currently in default.

NON-RELATED PARTIES

Non-related party notes payable consist of the following:

	March 31, 2024	December 31, 2023
Convertible Notes Payable with Warrants - 2023 Debt Offering	\$ 2,446,828	\$ 3,219,724
Convertible Notes Payable	9,183	9,183
Non-Convertible Notes Payable	17,500	17,500
Premium Financing Note Payable	-	37,648
Unamortized Debt Discount	(572,900)	(913,826)
Net Non-Related Party Notes Payable	\$ 1,900,611	\$ 2,370,229
Current Portion	(1,900,611)	(64,331)
Net Long-Term Portion	\$ -	\$ 2,305,898

Total interest expense for non-related party notes was \$40,921 and \$41,126 for the three-month periods ended March 31, 2024 and 2023, 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 “Purchasers”). The 2023 Debt Offering closed on March 9, 2023. The 2023 Debt Offering includes 15% Original Issue Discount Convertible Notes (the “Notes”) and Common Stock Purchase Warrants (the “Warrants”). Under the terms of the Agreement, the Company received \$ 3,000,001 from the Purchasers and in exchange issued the Notes in principal amounts of \$3,529,412 and Warrants to purchase up to 386,998 shares of the Company’s common stock. The Notes are convertible voluntarily by the Purchaser at any time. The principal amounts are convertible into shares of our common stock at a conversion price \$2.28. The Notes are due March 10, 2025, and accrue interest quarterly at 5% per annum. The accrued interest is payable by way of inclusion in the convertible amount and is compounded quarterly. The Warrants are exercisable at any time through March 9, 2028, into shares of the Company’s common stock at an exercise price of \$ 2.52 per share. The Company received approximately \$2,500,000 of net proceeds from the 2023 Debt Offering after offering-related costs.

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

On March 4, 2024, the Company entered into inducement offer letter agreements (the “Inducement Letters”) with each holder (collectively, the “Holders”, and individually, a “Holder”) of the Notes issued on March 9, 2023.

Pursuant to the Inducement Letter, the Holders agreed to convert some or all of the Applicable Notes at a reduced conversion price equal to \$0.62 per share (such reduced conversion price, the “Notes Conversion Price”). Simultaneously with the execution of the Inducement Letters, the Company received conversion notices from such Holders for the conversion of approximately \$804,000 aggregate principal amount of the Applicable Notes, representing approximately 25% of the aggregate principal amount of the Applicable Notes. In connection with such conversion, the Notes Conversion Price was permanently reduced to \$0.62.

In addition, pursuant to the Inducement Letter, the exercise price in the Common Stock Purchase Warrants issued on March 9, 2023 (the “Applicable Warrants”) currently held by Holders was permanently reduced to \$0.62 per share (such reduced exercise price, the “Warrants Exercise Price”).

On March 5, 2024, the Holders 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. As provided for in the Agreement, the Conversion Amount included original Note principal of \$772,896, as well as accrued interest of \$31,799. The Company recognized conversion expense of \$585,875 for the induced conversion.

Convertible Notes Payable

The Company has two convertible notes payable to a non-related entity with principal balances totaling \$9,183 as of March 31, 2024, and December 31, 2023. The notes bear interest at 12% and are convertible into shares of the Company’s common stock at \$2.29 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 \$7,500 as of March 31, 2024, and December 31, 2023. These notes carry interest rates ranging from 9% - 10% and have due dates ranging from December 2013 to November 2015. The notes are currently in default.

Premium Financing Note Payable

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 note was paid in full in January 2024.

NOTE 9. COMMON STOCK

The Company’s common stock transactions for the three-months ended March 31, 2024, consist of the following:

The Company issued 115,000 shares of common stock for RSUs vested during 2024.

The Company issued 1,297,895 shares of common stock upon conversion of a portion of the Convertible Notes issued in the 2023 Debt Offering.

The Company’s common stock transactions for the three-months ended March 31, 2023, consist of the following:

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

NOTE 10. PREFERRED STOCK

On November 20, 2015, the Company's Board of Directors authorized a class of stock designated as preferred stock with a par value of \$0.00001 per share comprising 25,000,000 shares, 3,000,000 shares of which were classified as Series A Convertible Preferred Stock. In each calendar year, the holders of the Series A Convertible Preferred Stock are entitled to receive, when, as and if, declared by the Board of Directors, out of any funds and assets of the Company legally available, non-cumulative dividends, in an amount equal to any dividends or other Distribution on the common stock in such calendar year (other than a Common Stock Dividend). No dividends (other than a Common Stock Dividend) shall be paid and no distribution shall be made with respect to the common stock unless dividends shall have been paid or declared and set apart for payment to the holders of the Series A Convertible Preferred Stock simultaneously. Dividends on the Series A Convertible Preferred Stock shall not be mandatory or cumulative, and no rights or interest shall accrue to the holders of the Series A Convertible Preferred Stock by reason of the fact that the Company shall fail to declare or pay dividends on the Series A Convertible Preferred Stock, except for such rights or interest that may arise as a result of the Company paying a dividend or making a distribution on the common stock in violation of the terms. The holders of each share of Series A Convertible Preferred Stock then outstanding shall be entitled to be paid, out of the Available Funds and Assets, and prior and in preference to any payment or Distribution (or any setting part of any payment or Distribution) of any Available Funds and Assets on any shares of common stock, and equal in preference to any payment or Distribution (or any setting part of any payment or Distribution) of any Available Funds and Assets on any shares of any other series of preferred stock that have liquidation preference, an amount per share equal to the Original Issue Price of the series A Convertible Preferred Stock plus all declared but unpaid dividends on the Series A Convertible Preferred Stock. A reorganization, or any other consolidation or merger of the Company with or into any other corporation, or any other sale of all or substantially all of the assets of the Company, shall not be deemed a liquidation, dissolution, or winding up of the Company. Shares of the Series A Convertible Preferred Stock are convertible at a 35% discount rate to the average closing price per share of the Company's common stock (either as listed on a national exchange or as quoted over-the-market) for the last 15 trading days immediately prior to conversion. However, no conversions of the Series A Convertible Preferred Stock to shares of common stock can occur unless the average closing price per share of the Company's common stock (either as listed on a national exchange or as quoted over-the-market) for the last 15 trading days immediately prior to conversion is at least \$5.01. The shares of Series A Convertible Preferred Stock vote on a one for one basis. The right of conversion is limited by the fact the holder of the Series A Convertible Preferred Stock may not convert if such conversion would cause the holder to beneficially own more than 4.9% of the Company's common stock after giving effect to such conversion. Preferred stock consists of 16,300,000 shares authorized and no shares issued or outstanding at March 31, 2024 and December 31, 2023, respectively. Series A Convertible Preferred stock consists of 3,000,000 shares authorized and no shares issued or outstanding at March 31, 2024 and December 31, 2023, respectively.

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. Series A-1 Convertible Preferred stock consists of 2,700,000 shares authorized and no shares issued or outstanding at March 31, 2024 and December 31, 2023, respectively.

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 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. Series B Convertible Preferred stock consists of 3,000,000 shares authorized and no shares issued or outstanding at March 31, 2024 and December 31, 2023, respectively.

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

The Company accounts for share-based compensation stock options and restricted stock units, and non-employee stock warrants under ASC 718, whereby costs are recorded based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, utilizing the Black-Scholes pricing 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

In January 2023, the Company entered into a consulting agreement for professional services to be provided over a six-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 will be recognized over the 6-month term of the agreement.

On March 9, 2023, in conjunction with the 2023 Debt Offering (see Note 8), the Company issued a total of 86,998 warrants to purchase shares of common stock at \$0.52 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 exercise price on the warrants was reduced to \$0.62 per share pursuant to the Inducement Letters. The difference with respect to the adjusted warrant exercise price is treated as a deemed dividend and a reduction in net income available to common shareholders.

On March 6, 2024, pursuant to the Adjustment terms of the September 2021 and the March 2022 Armistice Warrants 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 additional issuance of the Armistice Warrants expire seven years from the date of the original issuance on September 28, 2021, and March 30, 2022, respectively. The difference with respect to the adjusted additional warrants is treated as a deemed dividend and a reduction in net income available to common shareholders.

On March 6, 2024, pursuant to the Inducement letters, the exercise price for Common Stock Purchase Warrants issued on September 30, 2022, in relation to the PIPE Offering were permanently reduced to \$0.62 per share. The difference with respect to the adjusted warrant exercise price is treated as a deemed dividend and a reduction in net income available to common shareholders.

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The fair value of stock warrants granted during the three-month period ended March 31, 2024 was determined using the Black-Scholes option pricing model based on the following assumptions:

	March 31, 2024
Exercise Price	\$ 0.62
Dividend Yield	0%
Volatility	147% - 173%
Risk-free Interest Rate	4.21% - 4.50%
Expected Life	2.5 – 5.0 Years

The following table summarizes the changes in the Company's outstanding warrants during the three-month period ended March 31, 2024:

	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, 2023	10,605,708	\$ 1.35 – 5.31	4.59 Years	\$ 1.70	\$ -
Warrants Granted	2,659,031	\$ 0.62	3.00 Years	\$ 0.62	\$ -
Warrants Exercised	-	\$ -		\$ -	\$ -
Warrants Expired	-	\$ -		\$ -	\$ -
Balance at March 31, 2024	<u>13,264,739</u>	\$ 0.62 – 5.31	3.80 Years	\$ 1.49	\$ -

Share-Based Compensation

On October 24, 2019, the Company's 2019 Equity Incentive Plan (the "Plan") went effective authorizing 1,282,823 shares of the Company's common stock for issuance as stock options and restricted stock units ("RSUs") to employees, directors or consultants. The Plan 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 March 31, 2024, and December 31, 2023, the Company has granted stock options to acquire 598,306 and 1,692,473 shares of common stock under the Plan, respectively. As of March 31, 2024, the Plan had 1,023,670 vested options and 574,636 non-vested options. As of December 31, 2023, the Plan had 1,014,828 vested options and 677,645 non-vested options. The stock options are held by our officers, directors, employees, and certain key consultants.

For the three months ended March 31, 2024, and 2023, the Company recorded \$198,874 and \$385,698, respectively, of share-based compensation expense related to stock options. Unrecognized compensation expense as of March 31, 2024, was \$914,895 which will be recognized over a weighted average period of 19.2 months.

During the three-month period ended March 31, 2024, the Company did not grant any stock options to directors, officers, employee or other third-parties.

The following table summarizes the changes in the Company's outstanding stock options during the three-month period ended March 31, 2024:

	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, 2023	1,692,473	\$ 0.48 - 9.30	5.66 Years	\$ 2.01	\$ -
Options Granted	-	-	-	-	-
Options Exercised	-	-	-	-	-
Options Expired/Forfeited	(94,167)	\$ 2.11 – 2.39	-	\$ 2.32	-
Balance at March 31, 2024	<u>1,598,306</u>	\$ 0.48 - 9.30	5.55 Years	\$ 1.99	\$ -

	Options Outstanding Number of Shares	Exercise Price Per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Exercisable at December 31, 2023	1,014,828	\$ 0.48 - 9.30	4.36 Years	\$ 2.14	\$ -
Exercisable at March 31, 2024	1,023,670	\$ 0.48 - 9.30	4.89 Years	\$ 2.11	\$ -

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 three months ended March 31, 2024, the Company did not grant any RSUs. On January 2, 2024, 115,000 shares of the Company's common stock were issued for RSUs vested during 2024.

The following table summarizes RSU activity under the Plan for the three-month period ended March 31, 2024:

	<u>RSUs</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>	<u>Weighted Average Vesting Period</u>
Unvested at December 31, 2023	213,080	\$ 1.88	1.74 Years
Granted	-	-	-
Vested	<u>(115,000)</u>	2.17	-
Unvested at March 31, 2024	<u>98,080</u>	\$ 1.53	2.42 Years

For the three months ended March 31, 2024, and 2023, the Company recorded \$15,524 and \$312,945, respectively, in stock-based compensation expense related to RSUs. As of March 31, 2024, total unrecognized compensation cost related to RSUs was \$108,666 which will be recognized over a weighted average period of 21 months.

Executive Officers Stock Options and RSUs

The Company had 574,495 vested and 471,210 unvested outstanding executive officers stock options exercisable at \$0.48 to \$2.32 per share with a weighted average remaining contractual life of 6.96 years as of March 31, 2024, and 437,372 vested and 460,000 unvested outstanding executive 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. The Company had no vested and 98,080 unvested RSUs granted to executive officers as of March 31, 2024, and December 31, 2023, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On December 6, 2006, Orange County Valet and Security Patrol, Inc. filed a lawsuit against the Company in Orange County California State Superior Court for Breach of Contract in the amount of \$11,164. A default judgment was taken against the Company in this matter. In mid-2013 we learned the Plaintiff's perfected the judgment against the Company, but we have not heard from the Plaintiffs as of March 2024. As of March 31, 2024, the Company has accrued \$11,164 plus accrued interest of approximately \$20,000. In the event we pay any money related to this lawsuit, IDTEC agreed, in connection with closing a 2020 asset purchase transaction with IDTEC, to pay the amount for us in exchange for shares of our common stock.

NOTE 13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through May 15, 2024, which is the date the condensed consolidated financial statements were available to be issued.

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

Disclaimer Regarding Forward Looking Statements

Our Management’s Discussion and Analysis or Plan of Operations contains not only statements that are historical facts, but also forward-looking statements within the meaning of the Exchange Act. Forward-looking statements include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider,” or similar expressions are used. 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 access to capital to fund our continuing operations, our ability to sell our products and services and to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission (“SEC”).

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

Corporate Overview

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

On March 9, 2020, our Board of Directors approved the amendment to our Certificate of Incorporation and stockholders holding 52% of our then outstanding voting stock approved an amendment to our 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.

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

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

The following discussion:

- o summarizes our plan of operation; and
- o analyzes our financial condition and the results of our operations for the three-months ended March 31, 2024.

This discussion and analysis should be read in conjunction with our financial statements included as part of this Quarterly Report on Form 10-Q, as well as our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Business Operations, Outlook and Challenges

We provide non-invasive technologies to quickly and humanely identify the presence of alcohol in individuals. Our mission is to save lives, positively impact behavioral outcomes and individual wellness, increase workplace safety and productivity, and create significant economic benefits. Our non-invasive technologies are integrated within our scalable and patent-pending software platform, SOBRsafe™, producing statistical, measurable business and user data. To that end, our SOBRsafe™ software platform, along with our integrated hardware devices used to provide non-invasive alcohol detection and identity verification, combine to create a robust solution that has current and potential applications in:

- Behavioral health and wellness
- Judicial administrative applications
- Licensing and integration
- Commercial environments, including but not limited to oil and gas, fleet management, telematics, ride share programs, and general workplace safety
- Individual consumer use, including co-parenting trust, personal accountability, teen driver safety

Our SOBRcheck™ device is a patent-pending, touch-based identity verification and alcohol detection solution. Users place two fingers on the device 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 subscribed parties. The SOBRcheck™ device has been in commercial production since the first quarter of 2022 and we have executed customer agreements since that time.

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 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. We are currently exploring possible integrations with existing telematics systems and licensing by non-competitive third parties.

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, through artificial intelligence (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.

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

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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 to businesses and consumers, 2) enter into agreements with channel partners and 3) enter into licensing and integration agreements. We currently employ four highly experienced sales professionals facilitating direct sales and channel partner relationships. Licensing and integration opportunities with non-competitive third parties continue in preliminary stages. We anticipate hiring an expert in licensing and integrations in 2024 to formulate and execute an 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 we have generated significant losses from operations and anticipate that we will continue to generate significant losses for the foreseeable future. Our success is dependent on our ability to access additional capital. Additional capital will be required under the following circumstances: 1) to offset negative cash flows from operations, 2) to accelerated customer acquisition, thereby increasing capital outlay, 3) for advanced purchasing of materials, 4) for the acquisition of new technology, 5) for potential acquisition of a key asset, and 6) for sales expansion.

Recent Developments

During the quarter ended March 31, 2024, the following developments occurred:

- We entered into inducement offer letter agreements (the “Inducement Letters”) on March 4, 2024, with each holder (collectively, the “Holders”, and individually, a “Holder”) of the Company’s Convertible Notes issued on March 9, 2023. The inducement offer to the Holders provided an opportunity to reduce the Company’s debt payment obligation at the future maturity date in March 2025. On March 5, 2024, the Holders 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. As provided for in the Agreement, the Conversion Amount included original Note principal of \$772,896, as well as accrued interest of \$31,799.

Results of Operations for Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023**Summary of Results of Operations**

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 47,990	\$ 47,868
Cost of goods and services	24,781	30,064
Gross Profit	23,209	17,804
Operating expenses:		
General and administrative	1,415,562	1,584,950
Stock-based compensation expense	214,398	698,913
Research and development	102,034	180,918
Total operating expenses	1,731,994	2,464,781
Operating loss	(1,708,785)	(2,446,977)
Other income (expense):		
Other income (expense), net	21,255	70,470
Notes payable – conversion expense	(585,875)	-
Interest expense	(232,516)	(225,185)
Total other expense, net	(797,136)	(154,715)
Net loss	\$ (2,505,921)	\$ (2,601,692)

Revenue

We progressed to commercial production, launch and sale of our first SOBRsure™ devices being delivered for use in October 2023, and our first SOBRcheck™ devices being delivered for use 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 \$47,990 and \$47,868 during the three-month periods ended March 31, 2024, and March 31, 2023.

Gross Profit

The cost of sales for the three-months ended March 31, 2024, was \$24,781 resulting in a gross profit of \$23,209 and a gross margin of 48.4%. The cost of sales for the three-months ended March 31, 2023, was \$30,064 resulting in a gross profit of \$17,804 and a gross margin of 37.2%. Due to the limited history of generating revenue, the gross profit and gross margins at March 31, 2024 and 2023 are not indicative of future planned or actual performance of the Company, its product lines or services.

General and Administrative Expenses

General and administrative expenses decreased by \$169,388, from \$1,584,950 for the three-month period ended March 31, 2023, to \$1,415,562 for the three-month period ended March 31, 2024. The decrease from the same prior year period is primarily due to decreases in payroll expense as a result of our decreased employee base, a reduction in investor relations expense, offset by an increase in professional service fees.

Stock-Based Compensation Expense

The Company had stock-based compensation expense of \$214,398 for the three-months ended March 31, 2024, compared to \$698,913 for the three-months ended March 31, 2023. The stock-based compensation expense was related to the issuance of our common stock or restricted stock units as compensation to certain consultants and employees that is recognized over the period of service.

Research and Development

Research and development expenses decreased by \$78,884, to \$102,034 for the three-months ended March 31, 2024, compared to \$180,918 for the three-months ended March 31, 2023. The decrease in research and development was due to the final development stages of the SOBRcheck™ device which were completed in 2023, and the development of the SOBRsafe™ software platform which was completed in Q3 2023.

Other Income (Expense), net

Other income decreased by \$49,215 to \$21,255 for the three-months ended March 31, 2024, compared to \$70,470 for the three-months ended March 31, 2023. The decrease is due to less interest earned in the Company's money market account due to a lower cash balance in 2024.

Notes Payable – Conversion Expense

Conversion expense was \$585,875 for the three-months ended March 31, 2024. This expense relates to the convertible debt inducement that occurred on March 4, 2024. There was no conversion expense for the three-months ended March 31, 2023.

Interest Expense

Interest expense increased by \$7,331, from \$225,185 for the three-month period ended March 31, 2023, to \$232,516 for the three-month period ended March 31, 2024. This increase was due to make-whole interest related to the conversion of debt to common stock from outstanding convertible debt, offset by a decrease in overall interest expense on the remaining convertible debt post conversion.

Operating Loss; Net Loss

Our net loss decreased by \$95,771 from \$2,601,692 to \$2,505,921, from the three-month period ended March 31, 2023, compared to the three-month period ended March 31, 2024. The change in our net loss and operating loss for the three months ended March 31, 2024, compared to the same prior year period, is primarily a result of a decrease in stock-based compensation expense and a decrease in investor relations spend, offset by notes payable conversion expense. The changes are detailed below.

Liquidity and Capital Resources for Three Months Ended March 31, 2024 Compared to December 31, 2023**Introduction**

During the three-months ended March 31, 2024 and 2023, 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 will need additional capital in the near term. Our cash on hand as of March 31, 2024, was \$1,336,250 and our current normalized operating cash flow burn rate is approximately \$475,000 per month.

Management believes that cash balances and negative working capital at March 31, 2024 do not provide adequate operating capital for operating activities for the twelve months from 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. These plans are contingent upon the actions to be performed by the Company and these conditions have not been met on or before March 31, 2024. As such, substantial doubt about the entity's ability to continue as a going concern has not been alleviated as of March 31, 2024.

Our cash, total current assets, total assets, total current liabilities, and total liabilities as of March 31, 2024, and as of December 31, 2023, respectively, are as follows:

	March 31, 2024	December 31, 2023	Change
Cash	\$ 1,336,250	\$ 2,790,147	\$ (1,453,897)
Total Current Assets	1,858,082	3,371,470	(1,513,388)
Total Assets	4,515,435	6,147,039	(1,631,604)
Total Current Liabilities	3,399,765	1,552,842	1,876,923
Total Liabilities	3,576,499	4,164,502	(588,003)

Our total current assets and total assets decreased as of March 31, 2024, as compared to December 31, 2023, primarily due to use of cash to support our negative cash flow from operations.

Our total current liabilities increased as of March 31, 2024, as compared to December 31, 2023. The increase was due to the classification of convertible debt which is due in March 2025.

Sources and Uses of Cash**Operations**

We had net cash used in operating activities of \$1,453,897 for the three-month period ended March 31, 2024, as compared to net cash used for operating activities of \$1,589,453 for the three-month period ended March 31, 2023. For the period in 2024, the net cash used in operating activities consisted primarily of our net loss of \$2,505,921, offset by non-cash expense items including amortization of \$96,366, amortization of debt discounts of \$149,295, stock-based compensation expense of \$214,398, interest expense of \$80,784 conversion expense of \$585,875, and changes in our assets and liabilities primarily from inventory of \$22,179, prepaid expenses of \$14,808, other assets of (\$15,300), accounts payable of \$107,073, accrued expenses of \$(204,486), and accrued interest payable of \$2,171.

For the period in 2023, the net cash used in operating activities consisted primarily of our net loss of \$2,601,692, offset primarily by non-cash expense items including amortization of \$96,366, amortization of interest of \$21,644, stock warrants expense of \$134,598, and stock-based compensation expense of \$698,913, bad debt expense of \$882 and changes in our assets and liabilities primarily from inventory of (\$34,239), prepaid expenses of \$162,477, accounts payable of \$198,159, accrued expenses of \$(87,986), and accrued interest payable of \$(177,927).

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Investments

We had no cash provided by or used in investing activities during the three-month periods ended March 31, 2024 or March 31, 2023.

Financing

We had no cash provided by or used in financing activities during the three-month period ended March 31, 2024.

During the three-month period ended March 31, 2023, we received gross proceeds from the issuance of convertible notes payable of \$3,000,001 which was offset by issuance costs of \$537,750. Payments of approximately \$1,161,792 were made toward the principal and accrued interest amounts for matured convertible notes payable issued in 2021 to both related and non-related parties.

Contractual Obligations and Commitments

At March 31, 2024, 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	\$ 277,259	\$ 100,525
Total contractual cash obligations	<u>\$ 277,259</u>	<u>\$ 100,525</u>

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 March 31, 2024, and December 31, 2023.

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.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the period ended March 31, 2024, or subsequently thereto, that we believe are of potential significance to our financial statements.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4 Controls and Procedures

(a) Evaluation of Disclosure and Controls 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 quarter ended March 31, 2024, our disclosure controls and procedures were effective.

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

(b) Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

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

(c) Officer’s Certifications

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

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

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 May 2024. 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 6th 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 1A Risk Factors

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

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2024, we did not issue any unregistered securities.

During the three months ended March 31, 2023, we issued the following unregistered securities:

The Company issued 225,000 common shares and 225,000 warrants to purchase common shares for professional services.

The Company entered into a Purchase Agreement and Registration Rights Agreement issuing an aggregate of \$3.5 million principal amount of convertible notes (the "Notes") due in 2025 and accompanying warrants (the "Warrants") to purchase common shares of the Company. The initial conversion price for the Notes is \$2.28 per share of common stock. The Company issued 386,998 Warrants with an initial exercise price of \$2.52 per Warrant. The Company completed a registration statement for 1,709,734 shares of common stock underlying the outstanding Notes and 386,998 shares of common stock underlying the Warrants which was effective April 21, 2023.

ITEM 3 Defaults Upon Senior Securities

On December 28, 2010, we borrowed \$11,810 from a related party. The note payable carries an interest rate of 0% and matured on December 31, 2012. As of March 31, 2024 this note was in default.

On February 20, 2012, we borrowed \$3,750 from a non-related party. The note payable carries an interest rate of 12% and matured on February 19, 2013. As of March 31, 2024 this note was in default.

On March 20, 2012, we borrowed \$5,433 from a non-related party. The note payable carries an interest rate of 12% and matured on March 19, 2013. As of March 31, 2024 this note was in default.

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On September 27, 2013, we borrowed \$15,000 from a non-related party. The note payable carries an interest rate of 9% and matured on December 25, 2013. As of March 31, 2024 this note was in default.

On July 31, 2015, we borrowed \$2,500 from a non-related party. The note payable carries an interest rate of 10% and matured on November 28, 2015. As of March 31, 2024 this note was in default.

ITEM 4 Mine Safety Disclosures

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

ITEM 5 Other Information

None.

ITEM 6 Exhibits

Item No.	Description
3.1 (1)	Certificate of Incorporation of Imagine Media, Ltd.
3.2 (2)	Certificate of Amendment to Certificate of Incorporation to TransBiotec, Inc.
3.3 (3)	Certificate of Amendment to Certificate of Incorporation filed with the State of Delaware on May 25, 2017
3.4 (4)	Amended and Restated Bylaws of SOBR Safe, Inc.
3.5 (5)	Certificate of Amendment to Certificate of Incorporation of TransBiotec, Inc. changing name to SOBR Safe, Inc., effecting 1-for-33.26 reverse stock split and decreasing authorized common stock to 100M shares
3.6 (6)	Amendment to Amended and Restated Bylaws of SOBR Safe, Inc. dated April 6, 2023
10.1(7)	Form of Inducement Letter
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith)
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Accounting Officer (filed herewith)
32.1*	Section 1350 Certification of Chief Executive Officer (filed herewith).
32.2*	Section 1350 Certification of Chief Accounting Officer (filed herewith).
101.INS **	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH **	Inline XBRL Taxonomy Extension Schema Document
101.CAL **	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

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

- (1) Incorporated by reference from our Registration Statement on Form SB-2, filed with the Commission on January 31, 2008
- (2) Incorporated by reference from our Registration Statement on Form S-1, filed with the Commission on November 6, 2012
- (3) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Commission on February 6, 2019
- (4) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on November 19, 2019
- (5) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on June 11, 2020
- (6) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on April 6, 2023
- (7) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on March 5, 2024

SIGNATURES

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

SOBR Safe, Inc.

Dated: May 15, 2024

By: /s/ David Gandini
Its: David Gandini
Chief Executive Officer and Principal Executive Officer

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

I, David Gandini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SOBR Safe, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2024

By: /s/ David Gandini

David Gandini
Chief Executive Officer and Principal Executive
Officer

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

I, Christopher Whitaker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SOBR Safe, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2024

By: /s/ Christopher Whitaker

Christopher Whitaker
Chief Financial Officer

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

In connection with the Quarterly Report of SOBR Safe, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, 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: May 15, 2024

By: /s/ David Gandini

David Gandini
Chief Executive Officer and Principal Executive
Officer

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

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

In connection with the Quarterly Report of SOBR Safe, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, 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: May 15, 2024

By: /s/ Christopher Whitaker

Christopher Whitaker
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.