10-Q 1 sobr_10q.htm FORM 10-Q

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, 2025

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 15, 2025, there were 1,516,145 shares of common stock, $0.00001 par value, issued and outstanding**.**

SOBR SAFE, INC.

TABLE OF CONTENTS

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 information currently available to management. Forward-looking statements include the information concerning our possible or assumed future results of operation and events set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies, in which words such as "may," "if," "will," "should," "intend," "expect," "anticipate," "plan," "believe," "estimate," "project," "consider," or similar expressions are used to identify these forward looking statements.

Forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause our actual results, performance and achievements to be materially different. Forward-looking statements are not guarantees of future performance, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Readers are cautioned not to put undue reliance on any forward-looking statements. Future actual results, events and stockholder values may differ materially from those expressed or implied in these forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual results to differ from the results predicted or implied by forward-looking statements include factors discussed in our filings with the SEC, including those disclosed under captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2024 Form 10-K and our Quarterly Reports on Form 10-Q (including this Quarterly Report).

REVERSE STOCK SPLIT

At the open of market on April 4, 2025, our 1-for-10 reverse split of our common stock went effective with Nasdaq Capital Markets. As a result, all common stock share amounts, as well as share amounts and exercise and conversion prices have been adjusted to reflect the reverse stock split.

ITEM 1 Condensed Consolidated Financial Statements

The condensed consolidated balance sheets as of March 31, 2025, and December 31, 2024, the condensed consolidated statements of operations for the three months ended March 31, 2025, and 2024, the condensed consolidated statements of changes in stockholders' equity for the three months ended March 31, 2025, and 2024, and the condensed consolidated statements of cash flows for the three months ended March 31, 2025, and 2024, 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.

Table of Contents

SOBR SAFE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2025	December 31, 2024
ASSETS	(Unaudited)	
Current assets		
Cash	$ 10,074,029	$ 8,384,042
Accounts receivable, net	28,606	24,460
Inventory	193,868	224,875
Prepaid expenses	189,482	192,637
Other current assets	22,385	46,060
Total current assets	10,508,370	8,872,074
Intellectual technology, net	1,991,599	2,087,965
Operating lease right-of-use assets, net	159,423	183,737
Other assets	27,427	27,427
Total Assets	$ 12,686,819	$ 11,171,203
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 412,502	$ 422,557
Accrued expenses	392,130	498,128
Accrued interest payable	107,625	105,501
Operating lease liabilities, current portion	115,078	111,303
Notes payable - related parties, net	11,810	11,810
Notes payable - non-related parties, net	26,683	127,590
Total current liabilities	1,065,828	1,276,889
Operating lease liabilities, less current portion	61,656	91,993
Total Liabilities	1,127,484	1,368,882
Commitments and contingencies		
Stockholders' Equity		
Common stock, $0.00001 par value; 100,000,000 shares authorized, 1,516,128 and 936,926 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	152	94
Treasury stock, at cost; 17 and 16 shares as of March 31, 2025 and December 31, 2024, respectively	(38,015)	(38,015)
Additional paid-in capital	111,909,088	108,222,324
Accumulated deficit	(100,258,199)	(98,328,395)
Total SOBR Safe, Inc. stockholders' equity	11,613,026	9,856,008
Noncontrolling interest	(53,691)	(53,687)
Total Stockholders' Equity	11,559,335	9,802,321
Total Liabilities and Stockholders' Equity	$ 12,686,819	$ 11,171,203

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

Table of Contents

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Three Months Ended March 31, 2025	For The Three Months Ended March 31, 2024
	(Unaudited)	(Unaudited)
Revenues	$ 86,617	$ 47,990
Cost of goods and services	35,653	24,781
Gross profit	50,964	23,209
Operating expenses:		
General and administrative	1,823,469	1,415,562
Stock-based compensation expense	139,678	214,398
Research and development	40,924	102,034
Total operating expenses	2,004,071	1,731,994
Loss from operations	(1,953,107)	(1,708,785)
Other income (expense):		
Other income	77,717	21,255
Notes payable – conversion expense	-	(585,875)
Interest expense	(3,665)	(232,516)
Total other income (expense), net	74,052	(797,136)
Loss before provision for income taxes	(1,879,055)	(2,505,921)
Provision for income taxes	-	-
Net loss	(1,879,055)	(2,505,921)
Net loss attributable to noncontrolling interest	4	5
Net loss attributable to SOBR Safe, Inc.	$ (1,879,051)	$ (2,505,916)
Deemed dividends related to Convertible Debt Warrants down round provision	(1,833)	(23,270)
Deemed dividends related to 2022 PIPE Warrants down round provision	(1,547)	(42,539)
Deemed dividends related to Original Warrants and New Warrants down round provision	-	(1,455,805)
Deemed dividends related to 2024 PIPE Warrants down round provision	(47,373)	-
Net loss attributable to common stockholders	$ (1,929,804)	$ (4,027,530)
Basic and diluted loss per common share	$ (1.46)	$ (232.21)
Weighted average number of common shares outstanding, basic and diluted	1,320,526	17,344

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

Table of Contents

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

For the Three Months Ended, March 31, 2024

	Common Stock		Preferred Stock		Treasury Stock						
	Shares	**Amount ($0.00001 Par)**	**Shares**	**Amount ($0.00001 Par)**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Stockholders' Equity (Deficit) SOBR Safe, Inc.**	**Noncontrolling Interest**	**Total Stockholders Equity (Deficit)**
Balances at January 1, 2024	**16,905**	**$ 186**	**-**	**$ -**	**(12)**	**$(38,015)**	**$ 89,840,201**	**$ (87,765,981)**	**$ 2,036,207**	**$ (53,670)**	**$ 1,982,53**
Common stock issued for restricted stock units vested	105	1	-	-	-	-	(1)	-	-	-	
Common stock issued upon conversion of convertible debt	1,180	13	-	-	-	-	1,247,909	-	1,247,922	-	1,247,92
Paid in capital - fair value of stock options and restricted stock units vested	-	-	-	-	-	-	214,398	-	214,398	-	214,39
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)	-	-	
Common stock issued upon exercise of warrants	-	-	-	-	-	-	-	-	-	-	
Net loss	-	-	-	-	-	-	-	(2,505,916)	(2,505,916)	(5)	(2,505,92

Balances at March 31, 2024	**18,190**	**$ 200**	**-**	**$ -**	**(12)**	**$(38,015)**	**$ 92,824,121**	**$ (91,793,511)**	**$ 992,611**	**$ (53,675)**	**$ 938,93**
					For the Three Months Ended, March 31, 2025						
Balances at January 1, 2025	**936,926**	**$ 94**	**-**	**$ -**	**(16)**	**$(38,015)**	**$108,222,324**	**$ (98,328,395)**	**$ 9,856,008**	**$ (53,687)**	**$ 9,802,32**
Paid in capital - fair value of stock options and restricted stock units vested	-	-	-	-	-	-	139,678	-	139,678	-	139,67
Deemed dividends related to Convertible Debt Warrants down round provision	-	-	-	-	-	-	1,833	(1,833)	-	-	
Deemed dividends related to 2022 PIPE Warrants down round provision	-	-	-	-	-	-	1,547	(1,547)	-	-	
Deemed dividends related to 2024 PIPE Warrants down round provision	-	-	-	-	-	-	47,373	(47,373)	-	-	
Common stock issued upon exercise of warrants	579,219	58	-	-	(1)	-	3,496,333	-	3,496,391	-	3,496,39
Net Loss	-	-	-	-	-	-	-	(1,879,051)	(1,879,051)	(4)	(1,879,05
Balances at March 31, 2025	**1,516,145**	**$ 152**	**-**	**$ -**	**(17)**	**$(38,015)**	**$111,909,088**	**$(100,258,199)**	**$ 11,613,026**	**$ (53,691)**	**$ 11,559,33**

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

Table of Contents

SOBR SAFE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Three Months Ended March 31,	
	2025	2024
	(Unaudited)	(Unaudited)
Operating activities:		
Net loss	$ (1,879,055)	$ (2,505,921)
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
Non-cash lease expense	24,314	21,850
Non-cash interest expense	-	80,784
Non-cash conversion expense	-	585,875
Stock-based compensation expense	139,678	214,398
Bad debt expense	-	202
Changes in assets and liabilities:		
Accounts receivable	(4,146)	(47)
Inventory	31,007	22,179
Prepaid expenses	3,155	14,808
Other assets	23,675	(15,300)
Accounts payable	(10,055)	107,073
Accrued expenses	(105,998)	(204,486)
Accrued interest payable	2,124	2,171
Operating lease liabilities	(26,562)	(23,144)
Net cash used in operating activities	(1,705,497)	(1,453,897)
Financing activities:		
Repayments of notes payable – non-related parties	(100,907)	-
Proceeds from exercise of stock warrants	3,680,411	-
Payment for transaction costs of equity transactions	(184,020)	-
Net cash provided by financing activities	3,395,484	-
Net Change In Cash	1,689,987	(1,453,897)
Cash At The Beginning Of The Period	8,384,042	2,790,147
Cash At The End Of The Period	$ 10,074,029	$ 1,336,250
Schedule Of Non-Cash Investing And Financing Activities:		
Non-related party debt converted to capital	$ -	$ 853,680
Financing of prepaid insurance premiums	$ -	$ 37,649
Deemed dividends related to Convertible Debt Warrants down round provision	$ 1,833	$ 23,270
Deemed dividends related to 2022 PIPE Warrants down round provision	$ 1,547	$ 42,539
Deemed dividends related to Original Warrants and New Warrants down round provision	$ -	$ 1,455,805
Deemed dividends related to 2024 PIPE Warrants down round provision	$ 47,373	$ -
Supplemental Disclosure:		
Cash paid for interest	$ 1,541	$ 266
Cash paid for income taxes	$ -	$ -

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

SOBR SAFE, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025

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

SOBR Safe, Inc., a Delaware corporation, (the "Company", "we", "us", and "our") is a hardware and software company headquartered in Greenwood Village, Colorado. Our Company integrates proprietary software, SOBRsafe^{TM}, with our patented touch-based alcohol monitoring and detection products, SOBRcheck™ and SOBRsure™, enabling non-invasive alcohol monitoring and detection, biometric identity verification, and qualified, real-time cloud-based alerts and reporting. We operate as a single segment designed to enable customers to purchase products directly through channel partners, sales agents or through our enterprise and consumer digital channels. 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, 2024, included in the Company's Annual Report on Form 10-K filed with the SEC on April 15, 2025.

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, 2025, and December 31, 2024, and results of operations and cash flows for the three-month periods ended March 31, 2025 and 2024.

Principles of Consolidation
The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its majority owned subsidiary, TransBiotec-CA ("TBT"), 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 hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets that are accessible to SOBRsafe for identical assets or liabilities

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

Level III: 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, 2025 and December 31, 2024, the Company did not have financial instruments requiring valuation from observable or unobservable inputs to determine fair value on a recurring basis.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the date of purchase as cash equivalents. The Company does not have any cash equivalents at March 31, 2025 and December 31, 2024.

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 $25,000 in allowance for credit losses at March 31, 2025 and December 31, 2024, 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, 2025 and December 31, 2024.

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.

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 unaudited condensed consolidated balance sheet.

Preferred Stock

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

Noncontrolling Interest

A subsidiary of the Company, TBT, has minority members representing ownership interests of 1.4% at March 31, 2025 and December 31, 2024. 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.

Intangible Assets

Intangible asset values are determined where the assets are acquired at fair value on the acquisition date. Relative fair value of the intangible assets acquired are determined where goodwill is not recognized in an intangible asset acquisition and any consideration that exceeds fair value of the net assets acquired are allocated to the identifiable assets based upon relative fair values. Where there is excess of fair value assigned to the intangible assets acquired, recoverability is determined at the acquisition date on an undiscounted cash flow basis. In the event the assessment for recoverability of the intangible asset fair value upon acquisition does not result in an adjustment, an impairment analysis is conducted on the next practicable measurement date, when events or circumstances related to the fair value of the intangible asset change, or at least annually.

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, 2025 and 2024, respectively.

Table of Contents

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 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; (5) 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.

Table of Contents

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 obligation(s) 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 three to twelve months in duration, billed monthly, and 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 costs to customers who choose expedited shipping options 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.

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.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Advertising and marketing costs were $382,310 and $52,847 during the three-month periods ended March 31, 2025, and 2024, 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, 2025 and December 31, 2024, 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 outstanding and potentially issuable shares at March 31, 2025 and March 31, 2024, have been excluded from the computation of diluted weighted shares outstanding, as they could have been anti-dilutive:

	March 31, 2025	**March 31, 2024**
Stock options	1,323	1,454
Restricted stock units	90	90
Warrants	1,229,924	12,059
Convertible instruments	2	3,783
Total dilutive securities	**1,231,339**	**17,386**

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 managed within established guidelines to mitigate risk. To date, the Company has not experienced any loss on its cash.

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

Concentration of Suppliers – The Company relies on a limited number of component and contract suppliers to assemble 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 flows.

Related Parties

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

Recently Adopted Accounting Standards

The Company has reviewed 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.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amended guidance enhances income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid information. This guidance requires disclosure of specific categories in the effective tax rate reconciliation and further information on reconciling items meeting a quantitative threshold. In addition, the amended guidance requires disaggregating income taxes paid (net of refunds received) by federal, state, and foreign taxes. It also requires disaggregating individual jurisdictions in which income taxes paid, net of refunds received, is equal to or greater than five percent of total income taxes paid, net of refunds received. The amended guidance will be effective for annual periods beginning January 1, 2025. The guidance can be applied either prospectively or retrospectively.

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, 2025, the Company has an accumulated deficit of approximately $100,208,000. During the three months ended March 31, 2025, the Company experienced negative cash flows from operating activities of approximately $1,706,000. 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.

Management believes that cash balances of approximately $10,075,000 and positive working capital of approximately $9,443,000 at March 31, 2025, provide adequate capital for operating activities for the next twelve months after the date these financial statements are issued. Management believes the release of its second generation SOBRsure device in the fourth quarter of 2024 and a comprehensive 2025 marketing plan have positioned the Company to generate improvement in the generation of both revenue and positive cash flows from sales. 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, 2025. Management believes despite limited revenue generation and historical operating cash flows, adequate cash balances and working capital are sufficient to support ongoing operations for the next twelve months and the Company will continue as a going concern as of March 31, 2025.

NOTE 3. INVENTORY

Inventories consist of the following:

	March 31, 2025	December 31, 2024
Component parts	$ 59,081	$ 59,081
Finished goods	134,787	165,794
Inventory	**$ 193,868**	**$ 224,875**

NOTE 4. PREPAID EXPENSES

Prepaid expenses consist of the following:

	March 31, 2025	December 31, 2024
Insurance	$ 85,183	$ 165,041
Deposit	40,736	15,736
Other	63,563	11,860
Prepaid expenses	**$ 189,482**	**$ 192,637**

On July 1, 2024, the Company purchased annual general risk and director and officers insurance policies prepaying annual premiums of $330,083 through an eight-month financing arrangement on the same date (see Note 8). The Company recorded $83,852 and $92,836 of insurance expense related to the prepaid annual general risk and directors & officers insurance premiums during the three-month periods ended March 31, 2025 and 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 $9,744 through September 2024, with fixed escalating monthly base rent for each year thereafter, and no rent due for the months of July through September 2023.

The Company determined that the amendment results in a lease modification that is not accounted for as a separate contract. Further, due to the extension of the lease term beyond the initial twelve months, the office lease can no longer be considered a short-term lease. The Company 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.

Total operating lease expense for the three-month period ended March 31, 2025, total operating lease expense was $50,115 which included $21,190 of variable lease expense. Total operating lease expense for the three-month period ended March 31, 2024, total operating lease expense was $50,265, of which $21,340 was attributable to variable lease expense.

Operating lease obligations recorded on the unaudited condensed consolidated balance sheet at March 31, 2025 are as follows:

Operating lease liabilities – current portion	$ 115,078
Operating lease liabilities – less current portion	61,656
Total operating lease liabilities	**$ 176,734**

Future lease payments included in the measurement of operating lease liabilities on the unaudited condensed consolidated balance sheet at March 31, 2025 are as follows:

2025	$ 94,471
2026	95,063
Total undiscounted future minimum lease payments	**189,534**
Less imputed interest	(12,800)
Total operating lease liabilities	**$ 176,734**

The weighted average remaining lease term is 17.9 months, and the weighted average discount rate is 10%.

NOTE 6. INTANGIBLE ASSETS

Intangible assets are comprised of SOBRsafe™ Intellectual Technology and consist of the following:

	March 31, 2025	December 31, 2024
Gross carrying amount	$ 3,854,675	$ 3,854,675
Accumulated amortization	(1,863,076)	(1,766,710)
Net intangible asset	**$ 1,991,599**	**$ 2,087,965**
Amortization period (in years)	10	10

Amortization expense was $96,366 for each of the three-month periods ended March 31, 2025, and 2024.

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

2025	$ 289,098
2026	385,464
2027	385,464
2028	385,464
2029	385,464
Thereafter	160,645
Total future amortization expense	**$ 1,991,599**

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following:

	March 31, 2025	December 31, 2024
Consulting services	$ 272,622	$ 293,395
Other	119,508	204,733
Total accrued expenses	**$ 392,130**	**$ 498,128**

Table of Contents

NOTE 8. NOTES PAYABLE

RELATED PARTIES

Notes payable to related parties consist of the following:

	March 31, 2025		December 31, 2024	
Non-convertible note payable	$	11,810	$	11,810
Less current portion		(11,810)		(11,810)
Net long-term portion	**$**	**-**	**$**	**-**

The Company has one related party note payable that has an interest rate of 0%. The note payable had a due date of December 31, 2012, and is currently in default. Total interest expense for the related party notes was none for both three-month periods ended March 31, 2025 and 2024.

NON-RELATED PARTIES

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

	March 31, 2025		December 31, 2024	
Convertible notes payable	$	9,183	$	9,183
Non-convertible notes payable		17,500		17,500
Premium financing note payable		-		100,907
Net non-related party notes payable		26,683		127,590
Current portion		(26,683)		(127,590)
Net long-term portion	**$**	**-**	**$**	**-**

Total interest expense for non-related party notes was $3,665 and $40,921 for the three-month periods ended March 31, 2025 and 2024, 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 352 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 $2,508. 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 $2,772 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 $341,998 (the “Conversion Amount”) pertaining to the 2023 Debt Offering into 137 shares of the Company’s common stock at $2,508 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 Letters, the Holders agreed to convert some or all of the Applicable Notes at a reduced conversion price equal to $682.00 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 $682.00. The Company recognized conversion expense of $585,875 for the induced conversion.

On January 15, 2025, the Reset Date for the Sereis A Warrants issued in the 2024 PIPE Offering, the final determination of the Reset Exercise Price was determined to be $8.29 per share (Note 11). Pursuant to the Reset Date and Reset Exercise Price, and the terms and condition of the Warrants, the exercise price for the Warrants was reduced to $8.29 per share. The differences with respect to the adjusted warrant exercise prices is treated as a deemed dividend and a reduction in net income available to common shareholders.

In addition, pursuant to the Inducement Letters, 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 $682.00 per share (such reduced exercise price, the “Warrants Exercise Price”).

In March, May, and June 2024 noteholders elected to convert an aggregate total of $3,556,234 (the “Conversion Amount”) pertaining to the 2023 Debt Offering into 5,214 shares of the Company’s common stock at $682 per share. As provided for in the Agreement, the Conversion Amount included original Note principal of $3,219,724, as well as $336,510 of accrued interest incurred in both fiscal 2023 and 2024.

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, 2025, and December 31, 2024. The notes bear interest at 12% and are convertible into shares of the Company’s common stock at $35,519 per share. The notes were due in 2013 and are currently in default.

Non-Convertible Notes Payable

The Company has two non-convertible notes payable to non-related parties with principal balances totaling $17,500 as of March 31, 2025, and December 31, 2024. 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 July 1, 2024, the Company entered into a financing agreement for payment of its annual insurance premiums for coverage from July 2024 through June 2025 totaling $330,083. The financing agreement required an initial down payment of $66,017 with the remaining amount of $264,066 financed for an eight-month period at an annual interest rate of 9.1% with monthly payments of $34,150 beginning in July 2024. The principal balance and any accrued interest related to the premium financing note payable was paid in full in March 2025.

NOTE 9. COMMON STOCK

The Company’s common stock transactions for the three-months ended March 31, 2025, consist of the following:

The Company issued 579,218 shares of common stock upon exercise of warrants.

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

The Company issued 105 shares of common stock for RSUs vested during 2024.

The Company issued 1,180 shares of common stock upon conversion of a portion of the Convertible Notes issued in the 2023 Debt Offering.

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 Corporation's common stock (either as listed on a national exchange or as quoted over-the-market) for the last 15 trading days immediately prior to conversion is at least $5,511. The shares of Series A Convertible Preferred Stock vote on a one for one basis. The right of conversion is limited by the fact the holder of the Series A Convertible Preferred Stock may not convert if such conversion would cause the holder to beneficially own more than 4.9% of the Company's common stock after giving effect to such conversion.

On December 9, 2019, the Company's Board of Directors created a class of preferred stock designated as 8% Series A-1 Convertible Preferred Stock comprising of 2,000,000 shares. During 2020, the authorized shares were increased to 2,700,000 shares. The rights and preferences of the 8% Series A-1 Convertible Preferred Stock are as follows: (a) dividend rights of 8% per annum based on the original issuance price of $1 per share, (b) liquidation preference over the Company's common stock, (c) conversion rights into shares of the Company's common stock at $3 per share (not to be affected by any reverse stock split in connection with the Asset Purchase Agreement with IDTEC), (d) redemption rights such that we have the right, upon 30 days written notice, at any time after one year from the date of issuance, to redeem all or part of the Series A-1 Convertible Preferred Stock for 150% of the original issuance price, (e) no call rights by the Company, and (f) each share of Series A-1 Convertible Preferred Stock will vote on an "as converted" basis.

On March 1, 2022 the Board of Directors approved the designation of 3,000,000 shares of the Company's Preferred Stock as "Series B Convertible Preferred Stock". The Company entered into the Share Exchange Agreements to provide certain changes to its capital structure in connection with the planned underwriting offering and listing on Nasdaq. The convertible preferred stock is classified as a permanent equity instrument. The exchange of common stock for the convertible preferred stock results in no value transfer from the common shareholders to the preferred shareholders and vice versa should the preferred stock be converted back to common. The rights and preferences of the Series B Convertible Preferred Stock are as follows: (a) dividends shall not be mandatory or cumulative, (b) liquidation preference over the Company's common stock at an amount per share equal to the original issue price of the Series B Convertible Preferred Stock plus all accrued but unpaid dividends on the Series B Convertible Preferred Stock, (c) each three shares of Series B Convertible Preferred Stock shall be convertible, at the option of the holder, beginning on the date that is six months from the date the Holder acquired the shares of Series B Convertible Preferred Stock, and without the payment of additional consideration by the holder , into one share of common stock, (d) no redemption rights by the Company, (e) no call rights by the Company, and (f) each share of Series B Convertible Preferred Stock will vote on an "as converted" basis.

Table of Contents

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 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

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 2,418 warrants (the "Armistice Warrants") consisting of (i) 1,934 warrants pursuant to the Adjustment terms under the September 2021 Armistice Warrant, and (ii) 484 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 $1,485 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 $1,485 per unit, the conditions of a downward adjustment were met reducing the Armistice Warrants exercise price permanently to $682 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 of $23,270.

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 $682 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.

In June 2024, the Company entered into a Warrant Inducement with a certain holder of its existing warrants to exercise for cash an aggregate of 9,382 shares of the Company's common stock at a reduced exercise price of $297 per share. The value of the adjusted warrant exercise price of $341,297 was recorded as a reduction to Retained Earnings in conjunction with a deemed dividend of $1,455,805. The exercised warrants included warrants issued in the Amended and Restated common stock Purchase Warrants, with an initial exercise date of September 27, 2021, dated September 2022, the Amended and Restated Common Stock Purchase Warrants, with an initial exercise date of March 30, 2022, dated September 2022, and warrants issued under the Waiver agreement dated March 30, 2022. As part of the Warrant Inducement, the Company agreed to issue new unregistered warrants to purchase up to 18,763 shares of common stock. The warrants are exercisable upon the Company obtaining stockholder approval for purposes of complying with applicable Nasdaq rules with an exercise price of $297 per share. The warrants will expire five years following the issuance date. The total gross proceeds from the Warrant Inducement was $2,786,174 with net proceeds of $2,425,418 after deducting $360,756 in commissions and transaction costs.

Upon the close of the transaction, the Company issued the holder 5,184 of the 9,382 shares of common stock that were issuable upon exercise of the existing warrants. Due to the beneficial ownership limitation provisions in the inducement offer letter agreement, the remaining 4,198 shares were initially unissued, and reserved in abeyance with the Company's transfer agent for the benefit of the holder until notice from the holder that the shares may be issued in compliance with the agreement. Upon notice from the holder on June 24, 2024, the Company issued 4,198 shares of common stock previously held in abeyance.

On June 4, 2024, pursuant to the Warrant Inducement, the exercise price for Common Stock Purchase Warrants issued on September 30, 2022, in relation to the PIPE Offering were permanently reduced to $297 per share. The difference with respect to the adjusted warrant exercise price is treated as a deemed dividend of $42,539 and a reduction in net income available to common stockholders.

In October 2024, the Company entered into a private investment in public equity offering (the "PIPE 2024 Offering") pursuant to a Securities Purchase Agreement (the "Agreement") and Registration Rights Agreement (the "Registration Rights Agreement") where the Company agreed to issue an aggregate of 202,470 units (the "Units") at a purchase price of $40.50 per unit, each Unit consisting of one share of common stock, par value $0.00001 per share, of the Company, or one pre-funded warrant in lieu thereof, two Series A Warrants, each to purchase one share of common stock at an initial exercise price of $38 per share, and one Series B Warrant to purchase such number of common stock as will be determined on the Reset Date. The Series A Warrants also include a reset feature, where, on the Reset Date, the exercise price shall be adjusted to equal the lower of (i) the exercise price then in effect and (ii) the Reset Price determined as of the date of determination. Upon such reset of the exercise price pursuant to the Series A Warrant, the number of warrant shares issuable upon exercise of the Series A Warrant shall be increased such that the aggregate exercise price payable thereunder, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price on the issuance date for the warrant shares then outstanding. In accordance with the terms of the Series A and Series B Warrant Agreements and determination of the Reset Exercise Price in effect at December 31, 2024, the issuance of 1,603,370 Series A Warrants and 640,864 Series B Warrants. Under the terms of the Warrant Agreements, at the conclusion of the Reset Period and final determination of the Reset Exercise Price on the Reset Date, January 15, 2025, additional Series A and Series B Warrants may be issued.

On October 18, 2024, the Company received exercise notices from various institutional investors at a weighted-average exercise price of approximately $47.30. In exchange for the issuance of 19,110 shares of common stock the Company received net proceeds of $902,541.

During December 2024, the Company received exercise notices from various institutional investors at a weighted-average exercise price of approximately $9.60. In exchange for the issuance of 162,129 shares of common stock the Company received net proceeds of $1,652,034.

On January 15, 2025, the Reset Date for the Sereis A Warrants issued in the 2024 PIPE Offering, the final determination of the Reset Exercise Price was determined to be $8.29 per share. Pursuant to the Reset Date and Reset Exercise Price, the exercise price for Sereis A Warrants in relation to the 2024 PIPE Offering, and the Common Stock Purchase Warrants issued on September 30, 2022 in relation to the 2022 PIPE Offering were permanently reduced to $8.29 per share. The difference with respect to the adjusted warrant exercise prices is treated as a deemed dividend and a reduction in net income available to common shareholders.

During the three months ended March 31, 2025, the Company received exercise notices from various institutional investors at a weighted average exercise price of approximately $8.39. In exchange for the issuance of 579,218 shares of common stock, the Company received net proceeds of $3,680,411.

The fair values of stock warrants granted during the three months ended March 31, 2025, were determined using the Monte Carlo simulation and Black-Scholes option pricing models based on the following assumptions:

	March 31, 2025	March 31, 2024
Exercise price	$ 8.29	$ 682.00
Dividend yield	0%	0%
Volatility	146%	147%-173%
Risk-free interest rate	4.45%	4.21%-4.50%
Expected life (years)	4.5	2.5 – 5.0

The following table summarizes the changes in the Company's outstanding warrants during the three-month period ended March 31, 2025:

	Warrants Outstanding Number of Shares	Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2024	1,563,182	$ 9.60-4,675.00	4.8	$ 10.40	$ -
Warrants granted	245,960	8.29	4.5	8.29	-
Warrants exercised	(579,218)	8.29-9.60	4.5	8.39	-
Warrants expired	-	-		-	-
Balance at March 31, 2025	**1,229,924**	**8.29-4,675.00**	**4.5**	**9.31**	**-**

Table of Contents

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 (Years)	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2023	9,642	$ 1,485.00 – 5,841.00	4.6	$ 1,870.00	$ -
Warrants granted	2,418	682.00	3.0	682.00	-
Warrants exercised	-	-		-	-
Warrants expired	-	-		-	-
Balance at March 31, 2024	**12,060**	**1,485.00 – 5,841.00**	**3.8**	**1,639.00**	**-**

Share-Based Compensation

On October 24, 2019, the Company's 2019 Equity Incentive Plan (the *"Plan")* went effective authorizing 1,167 shares of Company common stock for issuance as stock options and restricted stock units ("*RSUs")* to employees, directors or consultants. The Plan was approved by the Company's Board of Directors and the holders of a majority of the Company's voting stock on September 9, 2019. In January 2022, the stockholders approved and ratified an amendment to increase the shares authorized under the Plan to 1,576. In June 2024, the stockholders approved and ratified an amendment to increase the shares authorized under the Plan to 3,182.

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, 2025, and December 31, 2024, the Company had granted stock options to acquire 1,323 and 1,323 shares of common stock under the Plan, respectively. As of March 31, 2025, the Plan had 1,120 vested options and 203 non-vested options. As of December 31, 2024, the Plan had 1,048 vested options and 275 non-vested options. The stock options are held by our officers, directors, employees, and certain key consultants.

For the three months ended March 31, 2025, and 2024, the Company recorded $124,154 and $198,874, respectively, of share-based compensation expense related to stock options. Unrecognized compensation expense as of March 31, 2025, was $321,998 which will be recognized over a weighted average period of 10.0 months.

During the three-month period ended March 31, 2025, 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, 2025:

	Options Outstanding Number of Shares	Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2024	1,323	$ 528.00-10,230.00	4.90	$ 2,178.70	$ -
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Expired/Forfeited	-	-	-	-	-
Balance at March 31, 2025	**1,323**	$ **528.00-10,230.00**	**4.65**	**$ 2,178.70**	**$ -**
Exercisable at March 31, 2025	**1,120**	$ **528.00-10,230.00**	**4.84**	**$ 2,204.13**	**$ -**

Table of Contents

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 (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2023	1,541	$ 528.00-10,230.00	5.70	$ 2,211.00	$ -
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Expired/Forfeited	(86)	2,321.00-2,629.00	-	2,552.00	-
Balance at March 31, 2024	**1,455**	$ **528.00-10,230.00**	**5.55**	**$ 2,189.00**	**$ -**
Exercisable at March 31, 2024	**931**	$ **528.00-10,230.00**	**4.89**	**$ 2,321.00**	**$ -**

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, 2025 and 2024, the Company granted no service based RSU's to directors, executive officers or employees. During the three months ended March 31, 2024, 105 shares of the Company's common stock were vested and common shares issued. Unvested RSUs granted in 2023 vest in January 2026.

The following table summarizes RSU activity under the Plan for the three-month period ended March 31, 2025:

	RSUs	Weighted Average Grant Date Fair Value Per Share	Weighted Average Vesting Period (Years)
Unvested at December 31, 2024	90	$ 1,683.00	1.00
Granted	-	-	-
Vested	-	-	-
Unvested at March 31, 2025	**90**	**$ 1,683.00**	**0.75**

For both the three months ended March 31, 2025, and 2024, the Company recorded $15,524 in stock-based compensation expense related to RSUs. As of March 31, 2025, total unrecognized compensation cost related to RSUs was $46,571, which will be recognized over a weighted average period of nine months.

Executive Officers Stock Options and RSUs

The Company had 763 vested and 190 unvested outstanding executive officer stock options exercisable at $528 to $2,552 per share with a weighted average remaining contractual life of 5.95 years as of March 31, 2025, and 701 vested and 251 unvested outstanding executive stock options exercisable at $528 to $2,552 per share with a weighted average remaining contractual life of 6.2 years as of December 31, 2024. The Company had no vested and 90 unvested RSUs granted to executive officers as of March 31, 2025, and December 31, 2024, 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, 2025, the Company has accrued $11,164 plus accrued interest of approximately $21,651. 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.

Table of Contents

NOTE 13. SEGMENT REPORTING

The Company is managed as one reportable operating segment, which includes all of our operations primarily designed to enable customers to purchase products and services through channel partners, sales agents or enterprise and consumer digital channels. Substantially all of our consolidated revenues and cash flows are generated in the United States. The segment information aligns with how the Company's Chief Operating Decision Maker ("CODM"), designated as the Company's Chief Financial Officer, reviews and manages the Company's business. The Company's CODM monitors our consolidated operating income and net earnings/(loss) to evaluate performance and make operating decisions. The accounting policies of our single operating segment are the same as those described in the Summary of Significant Accounting Policies herein. For additional reportable single operating segment level financial information, see the unaudited condensed consolidated financial statements.

NOTE 14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through March 31, 2025, which is the date the consolidated financial statements were available to be issued and has determined that there are no material subsequent events that require recognition or disclosure in the accompanying consolidated financial statements other than those following.

On April 4, 2025, the Company effected a 1-for-10 reverse split of the Company's common stock on the Nasdaq Capital Markets. This reduced the number of issued and outstanding shares of common stock from approximately 15,261,445 shares to approximately 1,526,145 shares. The reverse stock split applies equally to all outstanding shares of common stock, and each stockholder holds the same percentage of common stock outstanding immediately following the reverse stock split. Any fractional shares as a result of the reverse stock split were rounded up to one full share of common stock.

On April 11, 2024, pursuant to the terms and conditions of the Series A Warrants issued on October 9, 2024 in conjunction with the 2024 PIPE Financing, the Company evaluated the impact of the 1-for-10 reverse split of the Company's common stock, or Share Combination Event, on the Nasdaq Capital Markets. The terms of the Series A Warrant Agreement stipulate in the event of Share Combination Event, or reverse split, where the resulting closing share price is lower than the then Exercise Price, the Exercise Price will be reduced to the Floor Price determined in the Warrant Agreement of $7.60 per warrant. Following the Share Combination Event, the Exercise Price of the Series A Warrants was reduced to the Floor Price prescribed in the terms of the respective Warrant Agreement at $7.60 per share resulting in an additional 110,273 warrants issued to the remaining warrant holders. Further, should the resulting closing share price be below the Floor Price during a period of five trading days after the Share Combination Event, the calculated difference between the lowest volume-weighted average price ("VWAP") of the Company's stock during the five-trading day period and the Floor Price of the then outstanding Series A Warrants outstanding shall be paid pro rata to the remaining holders of the warrants (the "True-up Payment"), not to exceed $1,640,000. The lowest VWAP during the trading period of $4.71 was determined to be below the Floor Price resulting in a True-up Payment due to the remaining holders of $1,640,000. The Company has evaluated the impact of the True-up Payment liability determining the amount will not have an impact on the Company's ability to continue as a going concern.

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 "may," "if," "will," "should," "intend," "expect," "anticipate," "plan," "believe," "estimate," "project," "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.

Reverse Stock Split

At the open of the market on April 4, 2025, our 1-for-10 reverse split of our common stock went effective with Nasdaq Capital Markets ("Nasdaq"). As a result, all common stock share amounts, as well as share amounts and exercise and conversion prices have been adjusted to reflect the reverse stock split.

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 (the "Board") 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 the Nasdaq Capital Market ("Nasdaq") to uplist our common stock to their exchange under the ticker symbol "SOBR," our common stock began trading and quoted on the Nasdaq on May 16, 2022. Prior to this 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.

Table of Contents

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, 2025.

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, 2024.

Business Operations, Outlook and Challenges

We provide non-invasive technology to quickly and discretely monitor, detect and 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. We operate as a single segment designed to enable customers to purchase products directly through channel partners, sales agents or through our digital enterprise and consumer channels. To that end, our SOBRsafe software platform, along with our integrated hardware devices, SOBRcheck™ and SOBRsure™, used to provide non-invasive alcohol monitoring, 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, and adolescent 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, one compares biometric data points from the finger to confirm identity, while the other senses alcohol contained in perspiration emitted 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.

Our SOBRsure device is a patent-pending, fitness-style wearable band with an alcohol monitoring and detection solution intended for discrete, low-profile and voluntary use providing qualified, real-time alcohol monitoring and GPS tracking. The wearable band is a device which includes a contained sensor which senses alcohol contained in perspiration 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, qualified, real-time alcohol insights to administrators, clinicians, parents and more, and also includes device removal and service interruption notifications.

Our SOBRsafe technology can also be deployed across numerous additional devices for various uses. We are currently exploring possible integrations with existing 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 economic cost savings capture. By demonstrating substance-free environments, organizations could deliver a data-driven argument for a reduction in annual insurance premiums. We could potentially partner with insurance providers to encourage use of the SOBRsafe devices and/or technology.

Continuing in fiscal 2025, and as in prior years, the design, manufacturing, quality testing and distribution for all SOBRsafe integrated devices take place in the United States.

Our brand, products and software services continue to gain awareness and recognition through a robust marketing platform, trade shows, media exposure, social media and product demonstrations. To generate sales, we have a three-part strategy: 1) direct sales to enterprise 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 third parties continue in preliminary stages.

Table of Contents

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 accelerate 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.

Marketing

We have developed a marketing plan that includes:

➢ consumer and enterprise e-commerce web-solutions,
➢ search engine optimization (SEO) and search engine marketing (SEM),
➢ integrated digital and traditional media campaigns,
➢ brand ambassadors, affiliate partners and social media influencers,
➢ public relations initiatives and trade shows,
➢ business to business targeted digital campaigns,
➢ alcohol detection/testing channel partners,
➢ territorial sales agents,
➢ advocacy group alignment,
➢ ongoing brand development, and
➢ continuous pursuit of cutting-edge technologies for future integration.

As of March 31, 2025, we have retained six channel partners to augment our sales and marketing efforts, serving business customers with SOBRsafe technology solutions, including the SOBRcheck and SOBRsure devices.

Recent Developments

During the quarter ended March 31, 2025, the following developments occurred:

➢ Achieved an increase in revenue of 80.5% from the prior year quarter coupled with an improving gross margin of 58.8%.
➢ Net proceeds of approximately $3.5M were received from the exercise of outstanding warrants during the quarter ended March 31, 2025, which were issued in conjunction with the 2024 PIPE Financing completed in October 2024.
➢ Completed a 1-for-10 reverse stock split of its common stock on April 4, 2025, reducing the total number of SOBRsafe's outstanding shares from approximately 15.2 million to 1.5 million.
➢ Enhanced SOBRsafe's patent-pending software technology solutions with improvements to the mobile application including streamlined administration application and notification protocols, and introduced new user interface elements.
➢ Completed third-party hardware product validation tests in the first quarter of 2025 and a corresponding third-party product sensor validation test.
➢ Collaborated with a national marketing firm providing solutions to and for the largest U.S. newspaper publisher and the largest local-to-national publishing and digital media organization in the United States, launching both business-to-consumer and business-to-business marketing initiatives building brand recognition and support 2025 sales efforts. The effort has generated improved brand awareness and stimulated market adoption through the multi-channel, multi-disciplined national marketing campaigns.
➢ Initiated a robust marketing campaign in March 2025 which was executed in April 2025 to correspond with the National Council on Alcohol and Drug Dependence Alcohol Awareness Month.
➢ Broadened the global reach of SOBRsafe™ users and subscribers across 43 U.S. states, Canada, Australia, and New Zealand, while launching an alcohol detection and testing program for airport personnel and pilots outside of the U.S., building upon the Company's global footprint.
➢ Expanded business-to-business sales in the first quarter of 2025 into the family law market to address the approximate 450,000 individuals undergoing domestic monitoring.

Subsequent to the three-months ended March 31, 2025, the following developments occurred and are reflective of the reverse stock split completed on April 2, 2025 as detailed below:

➢ On April 4, 2025, we effected a 1-for-10 reverse stock split, a Share Combination Event, of the Company's common stock. Fractional shares as a result of the reverse stock split were rounded up to one full share of common stock. Following the reverse stock split, the exercise price of the Series A Warrants issued in conjunction with the 2024 PIPE Financing was reduced to the Floor Price of $7.60 per common share and resulted in an additional 110,273 warrants issued to the remaining warrant holders. Further, the Share Combination Event resulted in the calculation of a True-up Payment due to the remaining holders limited to a ceiling of $1,640,000. We have evaluated the impact of the True-up Payment liability and determined that the amount will not have an impact on our ability to continue and fund operations going forward.

Results of Operations for Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Summary of Results of Operations

	Three Months Ended March 31,	
	2025	2024
Revenue	$ 86,617	$ 47,990
Cost of goods and services	35,653	24,781
Gross profit	50,964	23,209
Operating expenses:		
General and administrative	1,823,469	1,415,562
Stock-based compensation expense	139,678	214,398
Research and development	40,924	102,034
Total operating expenses	2,004,071	1,731,994
Operating loss	(1,953,107)	(1,708,785)
Other income (expense):		
Other income, net	77,717	21,255
Notes payable – conversion expense	-	(585,875)
Interest expense	(3,665)	(232,516)
Total other income (expense), net	74,052	(797,136)
Net loss	$ (1,879,055)	$ (2,505,921)

Revenue

Both the SOBRcheck™ and SOBRsure™ devices are used in conjunction with our SOBRsafe™ software solution to generate sales and revenue. Revenue is primarily generated through our business-to-consumer eCommerce platform and business-to-business sales channels including the execution of customer agreements. As of March 31, 2025, 148 unique devices have been deployed to generate hardware and software revenue which represent a 40.9% increase from the prior period ended, December 31, 2024. During the three-month periods ended March 31, 2025, and March 31, 2024, we recognized revenue of $86,617 and $47,990, respectively, or an increase of 80.4% from the prior-year quarter.

Gross Profit

The cost of sales for the three-months ended March 31, 2025, was $35,653 resulting in a gross profit of $50,964 and a gross margin of 58.8%. 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 increase in gross margin can be attributed to higher SOBRsure sales and an increase in software subscriptions which generate higher margins than the SOBRcheck device which was our primary source of revenue in the prior year quarter. Due to the limited history of generating revenue, the gross profit and gross margins during the periods ended March 31, 2025 and 2024 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 increased by $407,907, from $1,415,562 for the three-months ended March 31, 2024, to $1,823,469 for the three-months ended March 31, 2025. The increase from the same prior year period is primarily due to an increase in payroll expense as a result of our increased employee headcount which has been offset by a decreased reliance on and in third-party professional service and consulting fees.

Stock-Based Compensation Expense

The Company had stock-based compensation expense of $139,678 for the three-months ended March 31, 2025, compared to $214,398 for the three-months ended March 31, 2024. The decrease from the prior year in expense of $74,720 is from the completed vesting, forfeitures and cancelations of previous grants. The stock-based compensation expense for both respective periods was related to the issuance of our stock options or restricted stock units as compensation to certain consultants and employees that is recognized over the period of service. During 2024 and through the three-months ended March 31, 2025, we have not granted additional stock-based compensation units.

Table of Contents

Research and Development
Research and development expenses decreased by $61,110, to $40,924 for the three-months ended March 31, 2025, compared to $102,034 for the three-months ended March 31, 2024. The decrease in research and development costs during the quarter ended March 31, 2025, can be attributed to the completion of development of the second generation SOBRsure wearable device at the end of 2024 with no commensurate hardware development projects beginning in the period. Research and development expense during the three-months ended March 31, 2025 can be attributed to the continuing enhancement of our SOBRsafe software products and mobile application.

Other Income (Expense), net
Other income, net of $74,052 for the three-months ended March 31, 2025 is comprised primarily of interest income derived from invested cash balances, as compared to $21,255 for the three-months ended March 31, 2024 which was generated from lower cash balances during the prior-year period.

Other expense, net of $797,136 for the three-months ended March 31, 2024 is attributed to the conversion of debt and associated interest expense during the three months ended March 31, 2024.

Notes Payable – Conversion Expense
There was no conversion of debt or associated interest expense for the three-months ended March 31, 2025 as in prior periods. The conversion expense of $585,875 for the three months ended March 31, 2024 relates to the convertible debt inducement completed on March 4, 2024.

Interest Expense
Interest expense decreased by $228,851, from $232,516 for the three-months ended March 31, 2024, to $3,665 for the three-months ended March 31, 2025. This decrease was due to make-whole interest related to outstanding convertible debt as the conversion of debt to common stock was completed on March 4, 2024. This component of interest expense was offset by a decrease in overall interest expense on the remaining convertible debt post conversion.

Operating Loss; Net Loss
Our net loss decreased by $626,866 from $2,505,921 to $1,879,055, from the three-months ended March 31, 2024, compared to the three-months ended March 31, 2025. The change in our net loss and operating loss for the three months ended March 31, 2025, compared to the same prior year period, is driven by a decrease in stock-based compensation expense, a decrease in research and development expenses, a decrease in notes payable conversion and associated interest expense, offset by increased general and administrative expense, as detailed above.

Liquidity and Capital Resources for Three Months Ended March 31, 2025 Compared to December 31, 2024

Introduction

During the three-months ended March 31, 2025 and 2024, the Company has incurred recurring losses from operations. Future capital requirements will depend on many factors including the Company's ability to sell and develop products, generate cash flow from operations, and assess competing market developments. The Company may need additional capital in the near term. Our cash on hand as of March 31, 2025, was $10,074,029 and our current normalized operating cash flow burn rate is approximately $675,000 per month.

Management believes that cash balances and positive working capital at March 31, 2025 provide adequate operating capital for operating activities for the next twelve months after the date these financial statements are issued. Management anticipates additional revenue generation with the release of its second generation SOBRsure™ device and a comprehensive marketing plan. These plans are contingent upon the actions to be performed by the Company which have been implemented through the quarter and will continue into future periods, however, these conditions have not been met on or before March 31, 2025. The Company has acquired additional proceeds net of transactional costs from the exercise of outstanding warrants of approximately $3,496,391 during the first quarter of 2025, increasing the Company's cash balances. As such, Management believes despite limited revenue generation and positive operating cash flows being generated in the past, adequate cash balances and working capital are available to support ongoing operations for the next twelve months and the Company will continue as a going concern at March 31, 2026.

Our cash, total current assets, total assets, total current liabilities, and total liabilities as of March 31, 2025, and as of December 31, 2024, respectively, are as follows:

	March 31, 2025	December 31, 2024	Change
Cash	$ 10,074,029	$ 8,384,042	$ 1,689,987
Total current assets	10,508,370	8,872,074	1,636,296
Total assets	12,686,819	11,171,203	1,515,616
Total current liabilities	1,065,828	1,276,889	(211,061)
Total liabilities	1,127,484	1,368,882	(241,398)

Our total current assets and total assets increased as of March 31, 2025, as compared to December 31, 2024, primarily due to proceeds received from the exercise of common stock warrants issued in the 2024 PIPE Financing transaction yielding approximately $3.5 million in net cash proceeds offset by cash flow used in general operations.

Our total current liabilities decreased as of March 31, 2025, as compared to December 31, 2024. The decrease is primarily attributed to the payment of accounts payable and accrued expenses, and the premium financing payable for insurance premiums.

Sources and Uses of Cash

Operations
We had net cash used in operating activities of approximately $1,706,000 for the three-months ended March 31, 2025, as compared to net cash used for operating activities of approximately $1,454,000 for the three-months ended March 31, 2024.

For the three month period in 2025, the net cash used in operating activities consisted primarily of our net loss of $1,879,055, offset by non-cash expense items including amortization of $96,366, stock-based compensation expense of $139,678, lease expense of $24,314, and changes in our assets and liabilities primarily from inventory of $31,007, other assets of $23,675, prepaid expenses of $3,155, accrued expenses of ($105,998), and operating lease liabilities of ($26,562).

For the three-months ended March 31, 2024, 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.

Investments
We had no cash provided by or used in investing activities during the three-month periods ended March 31, 2025 or March 31, 2024.

Financing
Our net cash provided by financing activities for the three-months ended March 31, 2025, was $3,395,484. For the three-months ended March 31, 2025, our net cash from financing activities consisted of proceeds from the exercise of warrants of $3,680,411, offset by issuance costs of $184,020 and financing payments of $100,907 for annual insurance premiums.

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

Contractual Obligations and Commitments

At March 31, 2025, 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	$ 176,734	$ 115,078
Total contractual cash obligations	**$ 176,734**	**$ 115,078**

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

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements as of March 31, 2025, and December 31, 2024.

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 2025.

Recent Accounting Pronouncements

New pronouncements issued for future implementation are discussed in Note 1 to the 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.

Table of Contents

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, 2025, 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, 2025, 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 March 31, 2025. 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.

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" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC on April 15, 2025.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of the Company's equity securities during the three-month period ended March 31, 2025, that were not previously reported in a Current Report on Form 8K.

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, 2025, 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, 2025, 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, 2025, this note was in default.

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, 2025, 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, 2025, 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.

Table of Contents

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
3.7(7)	Certificate of Amendment to Certificate of Incorporation dated September 25, 2024
3.8(8)	Certificate of Amendment to Certificate of Incorporation dated March 31, 2025
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 (furnished, not filed herewith).
32.2	Section 1350 Certification of Chief Accounting Officer (furnished, not 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 October 1, 2024

(8) Incorporated by reference from our Current Report on Form 8-K, filed with the Commission on April 4, 2025.

Table of Contents

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, 2025

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