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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period ____________ to ____________

Commission file number 1-13810

SOCKET MOBILE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3155066**
(State of incorporation)	(IRS Employer Identification No.)

39700 Eureka Drive, Newark, CA 94560
(Address of principal executive offices including zip code)

(510) 933-3000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES [ ] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

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

The number of shares of Common Stock ($0.001 par value) outstanding as of May 7, 2010 was 3,793,879 shares.

INDEX

(Index)

Item 1. Financial Statements

SOCKET MOBILE, INC.
CONDENSED BALANCE SHEETS

		March 31, 2010 (unaudited)			December 31, 2009*	
ASSETS						
Current assets:						
Cash and cash equivalents	$	1,982,524		$	1,940,295	
Accounts receivable, net		2,919,608			1,659,383	
Inventories		1,617,019			2,044,119	
Prepaid expenses and other current assets	** **	540,641		** **	415,102	
Total current assets		7,059,792			6,058,899	

Property and equipment:				
Machinery and office equipment		2,178,351		2,165,775
Computer equipment		1,271,271		1,253,511
		3,449,622		3,419,286
Accumulated depreciation		(2,739,478)		(2,631,822)
Property and equipment, net		710,144		787,464
Intangible assets, net		255,000		270,000
Goodwill		4,427,000		4,427,000
Other assets		185,667		199,834
Total assets	$	12,637,603	$	11,743,197
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$	4,006,874	$	2,902,294
Accrued payroll and related expenses		949,963		806,750
Bank line of credit		1,466,809		1,002,088
Deferred income on shipments to distributors		909,498		917,756
Short term portion of deferred service revenue		342,539		304,193
Short term portion of capital leases and deferred rent		45,796		42,491
Total current liabilities		7,721,479		5,975,572
Long term portion of deferred service revenue		309,079		282,840
Long term portion of capital leases and deferred rent		84,486		96,785
Total liabilities		8,115,044		6,355,197
Commitments and contingencies				
Stockholders' equity:				
Common stock, $0.001 par value: Authorized shares 10,000,000,				
Issued and outstanding shares 3,792,910 at March 31, 2010 and 3,788,767 at December 31, 2009		3,793		3,789
Additional paid-in capital		56,363,468		56,190,112
Accumulated deficit		(51,844,702)		(50,805,901)
Total stockholders equity		4,522,559		5,388,000
Total liabilities and stockholders equity	$	12,637,603	$	11,743,197

* Derived from audited financial statements.

See accompanying notes.

1

(Index)

SOCKET MOBILE, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

		Three Months Ended March 31,				
		2010			2009	
Revenues	$	3,807,149		$	4,771,890	
Cost of revenues	** **	2,201,689		** **	2,546,437	
Gross profit		1,605,460			2,225,453	
Operating expenses:						
Research and development		681,520			776,474	
Sales and marketing		1,239,367			1,413,842	
General and administrative		660,625			641,999	
Amortization of intangible assets	** **	15,000		** **	31,787	
Total operating expenses		2,596,512			2,864,102	
Operating loss		(991,052)			(638,649)	
Interest income		34			350	
Interest expense	** **	(47,783)		** **	(65,431)	
Net loss before deferred taxes		(1,038,801)			(703,730)	
Deferred tax expense	** **	---		** **	(7,985)	
Net loss	$	(1,038,801)		$	(711,715)	
	** **			** **		
Net loss per share:						
Basic	$	(0.27)		$	(0.22)	
Diluted	$	(0.27)		$	(0.22)	
Weighted average shares outstanding:						
Basic and diluted		3,788,990			3,229,916	

See accompanying notes.

(Index)

SOCKET MOBILE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

		Three Months Ended March 31,				
		2010			2009	
Operating activities						
Net loss	$	(1,038,801)		$	(711,715)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Stock-based compensation		165,240			152,520	
Depreciation and amortization		123,812			122,789	
Amortization of intangible assets		15,000			31,787	
Net foreign currency transaction gains		(18,632)			(11,666)	
Deferred tax expense		---			7,985	
Change in deferred rent		(5,985)			(2,941)	
** **						
Changes in operating assets and liabilities:						
Accounts receivable		(1,236,672)			829,850	
Inventories		427,100			1,008,437	
Prepaid expenses and other current assets		(125,539)			(16,651)	
Other assets		14,167			16,667	
Accounts payable		1,099,659			(783,203)	
Accrued payroll and related expenses		143,213			(23,755)	
Deferred income on shipments to distributors		(8,258)			(570,062)	
Deferred service revenue	** **	64,585			131,857	
Net cash provided by (used in) operating activities	** **	(381,111)			181,899	
Investing activities						
Purchases of equipment	** **	(46,492)			(88,039)	
Net cash used in investing activities	** **	(46,492)			(88,039)	
** **						
Financing activities						
Payments on capital leases		(3,009)			(2,961)	
Proceeds from borrowings under bank line of credit agreement		1,803,623			3,533,034	
Repayments of borrowings under bank line of credit agreement		(1,338,902)			(2,963,023)	

Stock options exercised		8,120		---
Net cash provided by financing activities		469,832		567,050
** **				
Net increase in cash and cash equivalents		42,229		660,910
Cash and cash equivalents at beginning of period		1,940,295		757,342
Cash and cash equivalents at end of period	$	1,982,524	$	1,418,252
Supplemental cash flow information				
Cash paid for interest	$	47,583	$	65,265

See accompanying notes.

(Index)

SOCKET MOBILE, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - Basis of Presentation

The accompanying unaudited condensed financial statements of Socket Mobile, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for fair presentation have been included. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These condensed financial statements should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The financial statements in the Company's annual report on Form 10-K were prepared on a going concern basis. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

Liquidity and Going Concern
The Company's cash balances at March 31, 2010 were $2.0 million, including cash of $1.5 million drawn against its bank lines of credit. The Company's cash balances at March 31, 2010, reflect a net increase of $0.5 million in amounts

drawn on its bank lines of credit for the first quarter of 2010, partially offset by net cash used of $0.4 million in operating activities. On March 3, 2010, the Company agreed with its bank to extend the term of the existing credit facility to March 23, 2011, to amend the terms of the credit facility with a minimum cash deposit requirement of $1.0 million and minimum quarterly revenue requirements for fiscal 2010, to extend the period of forbearance related to the Company's fourth quarter 2009 covenant default, and to provide that the bank would waive that event of default if the Company met the requisite financial covenants for the first quarter of 2010. The Company failed to meet the minimum revenue covenant for the quarter ended March 31, 2010, however, on May 12, 2010 the bank agreed to waive the events of default and to replace the quarterly minimum revenue requirements with quarterly net income targets for the remaining quarters of fiscal 2010 (see "Note 4 - Bank Financing Arrangements" for more information). The Company's balance sheet at March 31, 2010 has a current ratio (current assets divided by current liabilities) of 0.9 to 1.0, and no material long term debt. The Company has taken actions to reduce expenses to align its cost structure with current economic conditions. The Company has the ability to reduce expenses further if necessary. If the Company can return to revenue growth and attain profitability, the Company anticipates requirements for cash will include funding of higher receivable and inventory balances, and increased expenses, including an increase of costs relating to new employees to support its growth and increases in salaries, benefits, and related support costs for existing employees. If the Company cannot attain profitability, the Company will not be able to support its operations from positive cash flows, and the Company will use its existing cash to support operating losses. The Company may also find it necessary to raise additional capital to fund its operations, however, there can be no assurance that additional capital will be available on acceptable terms, if at all, and any such terms may be dilutive to existing stockholders. If the Company is unable to secure the necessary capital for its business, the Company may need to suspend some or all of its current operations.

(Index)

SOCKET MOBILE, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

The Company's continuing operating losses, declines in its working capital balances and the Company's failure to achieve the revenue levels required to maintain compliance with its bank line covenants are conditions that raise doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to establish profitable operations and to increase its capital. Management has been taking steps intended to reduce operating losses and achieve profitability including the introduction of new products, continued close support of the Company's distributors and its application partners as they establish their mobile applications in key vertical markets, and management of its costs. Management believes that it will be able to improve the Company's liquidity and secure additional sources of financing by managing its working capital balances, returning to compliance with the bank line covenants as operating results improve, and raising additional capital as needed including development funding from development partners and the issuance of additional equity securities. There can be no assurance that management will be successful in achieving these steps, and there can be no assurance that additional financing will be available on acceptable terms, if at all, and any such terms may be dilutive to existing stockholders. The Company's inability to secure and maintain the necessary liquidity would have a material adverse effect on the Company's financial condition and results of operations.

NOTE 2 - Summary of Significant Accounting Policies

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, and such differences may be material to the financial statements.

Recent Accounting Standards
In January 2009, the Securities and Exchange Commission ("SEC") issued Release No. 33-9002, "Interactive Data to Improve Financial Reporting." The final rule requires companies to provide their financial statements and financial statement schedules to the SEC and on their corporate websites in interactive data format using the eXtensible Business Reporting Language ("XBRL"). The rule was adopted by the SEC to improve the ability of financial statement users to access and analyze financial data. The SEC adopted a phase-in schedule indicating when registrants must furnish interactive data. Under this schedule, the Company will be required to submit filings with financial statement information using XBRL commencing with its June 30, 2011 quarterly report on Form 10-Q. The Company is currently evaluating the impact of XBRL reporting on its financial reporting process.

(Index)

SOCKET MOBILE, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

In October 2009, the FASB amended revenue recognition guidance for arrangements with multiple deliverables. The guidance eliminates the residual method of revenue recognition and allows the use of management's best estimate of selling price for individual elements of an arrangement when vendor specific objective evidence ("VSOE"), vendor objective evidence ("VOE") or third-party evidence ("TPE") is unavailable. This guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Full retrospective application of the guidance is optional. The Company is currently evaluating the impact of adopting this guidance on its financial statements.

In October 2009, the FASB issued guidance which amends the scope of existing software revenue recognition accounting. Tangible products containing software components and non-software components that function together to deliver the product's essential functionality would be scoped out of the accounting guidance on software and accounted for based on other appropriate revenue recognition guidance. This guidance should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Full retrospective application of the new guidance is optional. This guidance must be adopted in the same period that the Company adopts the amended accounting for arrangements with multiple deliverables described in the preceding paragraph. The Company is currently evaluating the impact of adopting this guidance on its financial statements.

In January 2010, the FASB issued guidance which clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements. The Company implemented thes