

SOCKET MOBILE, INC.  
Form 11-K  
June 23, 2009

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

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-13810

**SOCKET MOBILE, INC. 401(k) PLAN**  
(Full title of the plan)

**SOCKET MOBILE, INC.**  
(Name of the issuer of the securities held pursuant to the Plan)

**39700 Eureka Drive,**  
**Newark, CA 94560**  
(Address of principal executive office of the issuer)

**Socket Mobile, Inc. 401(k) Plan**  
(Formerly Socket Communications, Inc. 401(k) Plan)

Financial Statements

December 31, 2008 and 2007

**SOCKET MOBILE, INC. 401(k) PLAN**

**Financial Statements  
December 31, 2008 and 2007**

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Supplemental schedules are omitted because they are not applicable.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Participants and  
Plan Administrator of the  
Socket Mobile, Inc.  
401(k) Plan**

We have audited the financial statements of the Socket Mobile, Inc. 401(k) Plan (the Plan) as of December 31, 2008 and 2007, and for the years then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included consideration over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

MOHLER, NIXON & WILLIAMS  
Accountancy Corporation

Campbell, California  
June 23, 2009

**SOCKET MOBILE, INC. 401(k) PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

	December 31,	
	2008	2007
Assets:		
Investments, at fair value	\$ 2,484,869	\$ 3,528,467
Participant loans	99,044	44,778
Assets held for investment purposes at fair value	2,583,913	3,573,245
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	10,806	(90)
Net assets available for benefits	\$ 2,594,719	\$ 3,573,155

See notes to financial statements.

**SOCKET MOBILE, INC. 401(k) PLAN****STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	Years Ended December 31,	
	2008	2007
Additions to net assets attributed to:		
Investment income:		
Dividends and interest	\$ 104,040	\$ 282,180
Net realized and unrealized appreciation (depreciation) in fair value of investments	(1,368,846)	(117,070)
	(1,264,806)	165,110
Participants' contributions	461,360	479,225
Total additions	(803,446)	644,335
Deductions from net assets attributed to withdrawals and distributions	174,990	520,325
Net increase (decrease) in net assets	(978,436)	124,010
Net assets available for benefits:		
Beginning of year	3,573,155	3,449,145
End of year	\$ 2,594,719	\$ 3,573,155

See notes to financial statements.

**SOCKET MOBILE, INC. 401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 and 2007**

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**NOTE 1 - THE PLAN AND ITS SIGNIFICANT ACCOUNTING POLICIES**

**General** - The following description of the Socket Mobile, Inc. 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan that was established in 1996 by Socket Mobile, Inc. (the Company) to provide benefits to eligible employees, as defined in the Plan document. Effective April 23, 2008, the Socket Communications, Inc. 401(k) Plan was renamed the Socket Mobile, Inc. 401(k) Plan. The Plan administrator believes that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code, as amended, and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**Administration** - Under the terms of the Plan, a group of designated officers of the Company act as the trustee. The Company has appointed an Administrative Committee (the Committee) to manage the operation and administration of the Plan. The Company has contracted with a third-party administrator to process and maintain the records of participant data. Reliance Trust Company (Reliance) is the custodian of the Plan. Substantially all expenses incurred for administering the Plan are paid by the Company.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Basis of accounting** - The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**Investments** - Investments of the Plan are held by the custodian and invested based solely upon instructions received from participants. The Company's common stock was an investment option prior to November 30, 2003. Effective November 30, 2003, new contributions are no longer allowed in the Socket Mobile, Inc. Common Stock Fund, unless approved by the Plan trustee.

The Plan's investments in mutual funds and Socket Mobile, Inc. common stock are valued at fair value as of the last day of the Plan year, as measured by quoted market prices. Participant loans are valued at cost, which approximates fair value. The Plan invests in a group trust that has a benefit-responsive investment contract with MetLife Insurance Company. The assets are invested in a separate MetLife account. Interest is credited to the contract at interest rates that reflect the performance of the underlying portfolio. Such interest rates are reviewed on a quarterly basis for resetting. MetLife guarantees principal and accrued interest, based on credited interest rates, for participant-initiated withdrawals as long as the contract remains active. The investment contract has no maturity date. The average yields on this investment contract are presented in the table below.

	2008	2007
Average yields based on actual earnings	5.22%	6.17%
Interest rate credited to participants as of Plan year end	4.46%	4.65%

**Income taxes** - The Plan has adopted a prototype plan that has received an opinion letter from the Internal Revenue Service. The Company believes that the Plan is operated in accordance with, and qualifies under, the applicable requirements of the Internal Revenue Code and related state statutes, and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

**Reclassifications** - Certain reclassifications were made in the 2007 financial statements to conform to the 2008 presentation.

**Risks and uncertainties** - The Plan provides for various investment options in any combination of investment securities offered by the Plan, including the Company's common stock, which was limited to existing investments commencing November 30, 2003. Additional investments in the Company's common stock are allowed only upon approval by the Plan trustee. Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in market values, interest rates or other factors in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

## NOTE 2 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Plan adopted new requirements for fair value measurements, which establishes a single authoritative definition of fair value and sets out a framework for measuring fair value.

Following are the major categories of assets measured at fair value on a recurring basis at December 31, 2008:

	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total at December 31, 2008
Mutual funds	\$ 2,329,821	\$ ---	\$ ---	\$ 2,329,821
Common stock	26,643			26,643
Group trust	---	---	128,405	128,405
Participant loan	---	---	99,044	99,044
<b>Total assets</b>	<b>\$ 2,356,464</b>	<b>\$ ---</b>	<b>\$ 227,449</b>	<b>\$ 2,583,913</b>

All assets have been valued using the market approach.

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2008

	Level 3 Assets	
	Year Ended December 31, 2008	
	Group Trust	Participant Loans
Balance, beginning of year	\$ 8,206	\$ 44,777
Realized gains/(losses)	---	---
Unrealized gains/(losses) relating to instruments still held at the reporting date	(10,842)	---
Purchases, sales, issuances and settlements (net)	131,041	54,267
Balance, end of year	\$ 128,405	\$ 99,044

### NOTE 3 - PARTICIPATION AND BENEFITS

**Participant contributions** - Participants may elect to have the Company contribute up to 20% of their eligible pre-tax compensation not to exceed the amount allowable under current income tax regulations. Participants who elect to have the Company contribute a portion of their compensation to the Plan agree to accept an equivalent reduction in taxable compensation. Contributions withheld are invested in accordance with the participant's direction.

Participants are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant's direction and the Plan's provisions.

**Employer contributions** - The Company is allowed to make qualified non-elective matching contributions as defined in the Plan. No qualified non-elective matching contribution has been made for the years ended December 31, 2008 and 2007.

**Vesting** - Participants are fully vested in their account at all times.

**Participant accounts** - Each participant's account is credited with the participant's contribution, Plan earnings or losses and an allocation of the Company's contribution, if any. Allocation of the Company's contribution is based on eligible employee compensation, as defined in the Plan.

**Payment of benefits** - Upon termination, the participants or beneficiaries may elect to leave their account balance in the Plan, or receive their total benefits in a lump sum amount, installments, employer securities or other marketable securities equal to the value of the participant's account. The Plan allows for the automatic lump sum distribution of participant account balances that do not exceed \$1,000.

**Loans to participants** - The Plan allows participants to borrow up to the lesser of \$50,000 or 50% of their account balance. The loans are secured by the participant's account balance. Such loans bear interest at the available market financing rates and must be repaid to the Plan within a five-year period, unless the loan is used for the purchase of a principal residence in which case the maximum repayment period may be longer. The specific terms and conditions of such loans are established by the Plan administrator. Outstanding loans at December 31, 2008 carry interest rates ranging from 5.00% to 8.25%.

#### NOTE 4- INVESTMENTS

The following table presents the fair values of investments and investment funds that include 5% or more of the Plan's net assets at December 31, 2008 and 2007:

	2008	2007
MFS Total Return Fund A	\$ 170,465	\$ 237,554
Lord Abbett Mid Cap Value Fund A	---	604,595
Vanguard 500 Index Fund	573,850	821,530
First American Prime Obligations Fund	284,283	169,091
Lord Abbett Affiliated Fund A	113,168	207,385
Columbia Acorn Fund A	245,205	388,605
American Funds Growth Fund of America R4	231,864	403,688
American Funds EuroPacific Growth Fund R4	283,551	453,073
Victory Special Value Fund A	327,391	---
Group trust	128,405	8,170
Other funds individually less than 5% of net assets	225,731	279,464
<b>Total</b>	<b>\$ 2,583,913</b>	<b>\$ 3,573,155</b>

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows for the years ended December 31, 2008 and 2007:

	2008	2007
Common stock	\$ (101,546)	\$ (50,284)
Mutual funds	(1,267,300)	(66,786)
Total	\$(1,368,846)	\$(117,070)

#### NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

Prior to November 30, 2003, the Plan allowed participants to elect to invest a portion of their account in the common stock of the Company. Commencing November 30, 2003, existing investments in the common stock of the Company by participants can be retained, but additional investments are not allowed unless approved by the Plan trustee. Aggregate investment in Socket Mobile, Inc. common stock at December 31, 2008 and 2007 was as follows:

Date	Number of shares	Cost	Fair value
2007	16,417	\$262,104	\$134,612
2008	14,480	\$231,161	\$26,643

#### NOTE 6 - PLAN TERMINATION OR MODIFICATION

The Company intends to continue the Plan indefinitely for the benefit of its participants; however, it reserves the right to terminate or modify the Plan at any time by resolution of its Board of Directors and subject to the provisions of ERISA.

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SOCKET MOBILE, INC. 401(k) PLAN  
(Name of Plan)

Date: June 23, 2009

/s/ David W. Dunlap  
David W. Dunlap  
Vice President of Finance  
and Administration and Chief Financial  
Officer (Duly Authorized Officer and  
Principal Financial and Accounting  
Officer)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-106502) of Socket Mobile, Inc. of our report dated June 23, 2009, with respect to the statements of net assets available for benefits of the Socket Mobile, Inc. 401(k) Plan as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended, which report appears in the December 31, 2008 annual report on Form 11-K of the Socket Mobile, Inc. 401(k) Plan.

/s/ MOHLER, NIXON & WILLIAMS

MOHLER, NIXON & WILLIAMS

Accountancy Corporation

Campbell, California

June 23, 2009