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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 **December 31, 2023**

OR

□ 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: **001-33216**

SONOMA PHARMACEUTICALS, INC.

(Name of registrant as specified in its charter)

Delaware	**68-0423298**
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer identification No.)
5445 Conestoga Court, Suite 150, Boulder, CO	**80301**
(Address of principal executive offices)	(Zip Code)

(800) 759-9305
(Registrant's telephone number, including area code)

N/A
(Former name or former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value	SNOA	The Nasdaq Stock Market LLC

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

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

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

Large accelerated Filer □
Non-accelerated Filer ☒
Emerging Growth Company □

Accelerated Filer □
Smaller reporting 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 ☒

The number of shares outstanding of the registrant's common stock, par value $0.0001 per share, as of February 7, 2024 was 15,607,433.

SONOMA PHARMACEUTICALS, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31, 2023	March 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,406	$ 3,820
Accounts receivable, net	2,876	2,572
Inventories, net	2,955	2,858
Prepaid expenses and other current assets	4,009	4,308
Current portion of deferred consideration, net of discount	256	240
Total current assets	12,502	13,798
Property and equipment, net	397	488
Operating lease, right of use assets	341	418
Deferred tax asset	922	949
Deferred consideration, net of discount, less current portion	378	505
Other assets	78	73
Total assets	$ 14,618	$ 16,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 864	$ 841
Accrued expenses and other current liabilities	1,847	2,029
Deferred revenue	75	100
Deferred revenue Invekra	63	60
Short-term debt	44	431
Operating lease liabilities	181	256
Total current liabilities	3,074	3,717
Long-term deferred revenue Invekra	101	140
Withholding tax payable	4,591	4,235
Operating lease liabilities, less current portion	160	162
Total liabilities	7,926	8,254
Commitments and Contingencies (Note 5)		
Stockholders' Equity		
Convertible preferred stock, $0.0001 par value; 714,286 shares authorized at December 31, 2023 and March 31, 2023, respectively, no shares issued and outstanding at December 31, 2023 and March 31, 2023, respectively	–	–
Common stock, $0.0001 par value; 24,000,000 shares authorized at December 31, 2023 and March 31, 2023, respectively, 13,684,333 and 4,933,550 shares issued and outstanding at December 31, 2023 and March 31, 2023, respectively (Note 7)	2	5
Additional paid-in capital	202,795	200,904
Accumulated deficit	(193,282)	(189,514)
Accumulated other comprehensive loss	(2,823)	(3,418)
Total stockholders' equity	6,692	7,977
Total liabilities and stockholders' equity	$ 14,618	$ 16,231

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenues	$ 3,138	$ 2,944	$ 9,296	$ 10,258
Cost of revenues	1,678	2,113	5,642	6,645
Gross profit	1,460	831	3,654	3,613
Operating expenses				
Research and development	601	–	1,462	6
Selling, general and administrative	1,703	2,665	5,484	7,030
Total operating expenses	2,304	2,665	6,946	7,036
Loss from operations	(844)	(1,834)	(3,292)	(3,423)
Other expense, net	(79)	(71)	(380)	(322)
Loss before income taxes	(923)	(1,905)	(3,672)	(3,745)
Income tax benefit (expense)	57	(34)	(96)	(98)
Net loss	$ (866)	$ (1,939)	$ (3,768)	$ (3,843)
Net loss per share: basic and diluted	$ (0.08)	$ (0.62)	$ (0.54)	$ (1.24)
Weighted-average number of shares: basic and diluted	10,909	3,107	7,011	3,104
Other comprehensive loss				
Net loss	$ (866)	$ (1,939)	$ (3,768)	$ (3,843)
Foreign currency translation adjustments	297	235	595	136
Comprehensive loss	$ (569)	$ (1,704)	$ (3,173)	$ (3,707)

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (3,768)	$ (3,843)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	135	91
Stock-based compensation	447	569
Deferred income taxes	92	(244)
Changes in operating assets and liabilities:		
Accounts receivable, net	(221)	129
Inventories, net	(93)	(162)
Prepaid expenses and other current assets	546	572
Operating lease right-of-use assets	99	94
Deferred consideration	161	129
Accounts payable	(12)	(353)
Accrued expenses and other current liabilities	(226)	346
Deferred revenue	33	(1,204)
Withholding tax payable	356	259
Operating lease liabilities	(99)	(94)
Net cash used in operating activities	(2,550)	(3,711)
Cash flows from investing activities:		
Purchases of property and equipment	(20)	(79)
Deposits	–	(97)
Net cash used in investing activities	(20)	(176)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	1,446	–
Payments of ATM agreement costs	(5)	(89)
Payments on PPP Loan	–	(120)
Principal payments on short-term debt	(387)	(674)
Net cash provided by (used in) financing activities	1,054	(883)
Effect of exchange rate on cash and cash equivalents	102	8
Net decrease in cash and cash equivalents	(1,414)	(4,762)
Cash and cash equivalents, beginning of period	3,820	7,396
Cash and cash equivalents, end of period	$ 2,406	$ 2,634
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 15	$ 12

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Nine Months ended December 31, 2023 and 2022
(In thousands, except share amounts)
(Unaudited)

	Common Stock ($0.0001 par Value)		Additional Paid in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Loss	Total
Balance, March 31, 2023	4,933,550	$ 5	$ 200,904	$ (189,514)	$ (3,418)	$ 7,977
Cost in connection with ATM	–	–	(5)	–	–	(5)
Employee stock-based compensation expenses	208,046	–	177	–	–	177
Foreign currency translation adjustment	–	–	–	–	511	511
Net loss	–	–	–	(1,418)	–	(1,418)
Balance, June 30, 2023	5,141,596	$ 5	$ 201,076	$ (190,932)	$ (2,907)	$ 7,242
Adjustment to correct par value	–	(4)	4	–	–	–
Employee stock-based compensation expenses	37,737	–	130	–	–	130
Foreign currency translation adjustment	–	–	–	–	(213)	(213)
Net loss	–	–	–	(1,484)	–	(1,484)
Balance, September 30, 2023	5,179,333	$ 1	$ 201,210	$ (192,416)	$ (3,120)	$ 5,675
Proceeds from October 30, 2023 offering, net of offering expenses	8,500,000	1	1,445	–	–	1,446
Employee stock-based compensation expenses	5,000	–	140	–	–	140
Foreign currency translation adjustment	–	–	–	–	297	297
Net loss	–	–	–	(866)	–	(866)
Balance, December 31, 2023	13,684,333	$ 2	$ 202,795	$ (193,282)	$ (2,823)	$ 6,692

	Common Stock ($0.0001 par Value)		Additional Paid in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Loss	Total
Balance March 31, 2022	3,100,937	$ 2	$ 197,370	$ (184,363)	$ (4,312)	$ 8,697
Employee stock-based compensation expenses	–	–	214	–	–	214
Foreign currency translation adjustment	–	–	–	–	(65)	(65)
Net loss	–	–	–	(887)	–	(887)
Balance, June 30, 2022	3,100,937	$ 2	$ 197,584	$ (185,250)	$ (4,377)	$ 7,959
Employee stock-based compensation expense	–	–	108	–	–	108
Stock based compensation related to issuance of restricted common stock	2,035	–	5	–	–	5
Foreign currency translation adjustment	–	–	–	–	(34)	(34)
Net loss	–	–	–	(1,017)	–	(1,017)
Balance, September 30, 2022	3,102,972	$ 2	$ 197,697	$ (186,267)	$ (4,411)	$ 7,021
Employee stock-based compensation expense	–	–	233	–	–	233
Stock based compensation related to issuance of restricted common stock	6,680	–	9	–	–	9
Foreign currency translation adjustment	–	–	–	–	235	235
Net loss	–	–	–	(1,939)	–	(1,939)
Balance, December 31, 2022	3,109,652	$ 2	$ 197,939	$ (188,206)	$ (4,176)	$ 5,559

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

Note 1. Organization and Recent Developments

Organization

Sonoma Pharmaceuticals, Inc. (the "Company") was incorporated under the laws of the State of California in April 1999 and was reincorporated under the laws of the State of Delaware in December 2006. The Company moved its principal office from Petaluma, California to Woodstock, Georgia in June 2020 and to Boulder, Colorado in October 2022. The Company is a global healthcare leader for developing and producing stabilized hypochlorous acid ("HOCl") products for a wide range of applications, including wound care, eye, oral and nasal care, dermatological conditions, podiatry, animal health care, and as a non-toxic disinfectant. The Company's products reduce infections, scarring and harmful inflammatory responses in a safe and effective manner. In-vitro and clinical studies of HOCl show it to have impressive antipruritic, antimicrobial, antiviral and anti-inflammatory properties. The Company's stabilized HOCl immediately relieves itch and pain, kills pathogens and breaks down biofilm, does not sting or irritate skin and oxygenates the cells in the area treated assisting the body in its natural healing process. The Company sells its products either directly or via partners in 55 countries worldwide.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial statements and are in the form prescribed by the Securities and Exchange Commission (the "SEC") in instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial position, results of operations and cash flows for the periods indicated. All material intercompany accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended March 31, 2023, and notes thereto included in the Company's annual report on Form 10-K, which was filed with the SEC on June 21, 2023.

Note 2. Liquidity and Financial Condition

The Company reported a net loss of $866,000 and $1,939,000 for the three months ended December 31, 2023 and 2022, respectively, and $3,768,000 and $3,843,000 for the nine months ended December 31, 2023 and 2022, respectively. At December 31, 2023 and March 31, 2023, the Company's accumulated deficit amounted to $193,282,000 and $189,514,000, respectively. The Company had working capital of $9,428,000 and $10,081,000 as of December 31, 2023 and March 31, 2023, respectively. The cash balance at December 31, 2023 and March 31, 2023 was $2,406,000 and $3,820,000, respectively. During the nine months ended December 31, 2023 and 2022, net cash used in operating activities amounted to $2,550,000 and $3,711,000, respectively.

Management believes that the Company has access to additional capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means; however, the Company cannot provide any assurance that other new financings will be available on commercially acceptable terms, if needed. If the economic climate in the U.S. deteriorates, the Company's ability to raise additional capital could be negatively impacted. If the Company is unable to secure additional capital, it may be required to take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations. These measures could cause significant delays in the Company's continued efforts to commercialize its products, which is critical to the realization of its business plan and the future operations of the Company. These matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed consolidated 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 disclosures of contingent liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Significant estimates and assumptions include reserves and write-downs related to receivables and inventories, the valuation allowance relating to the Company's deferred tax assets, valuation of equity and the estimated amortization periods of upfront product licensing fees received from customers. Periodically, the Company evaluates and adjusts estimates accordingly.

Net Loss per Share

The following table provides the net loss for each period along with the computation of basic and diluted net loss per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net loss	$ (866)	$ (1,939)	$ (3,768)	$ (3,843)
Denominator:				
Weighted-average number of common shares outstanding: basic and diluted	10,909	3,107	7,011	3,104
Net loss per share: basic and diluted	$ (0.08)	$ (0.62)	$ (0.54)	$ (1.24)

The computation of basic loss per share for the three and nine months ended December 31, 2023, and 2022 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands)	**2023**	**2022**	**2023**	**2022**
Stock options	1,011	576	1,011	576
Warrants	–	108	–	108
Common stock units	–	46	–	46
	1,011	730	1,011	730

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC"), Topic 606 Revenue from Contracts with Customers ("Topic 606"). Revenue is recognized when the Company transfers promised goods or services to the customer, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under the agreement, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

The Company derives the majority of its revenue through sales of its products directly to end users and to distributors. The Company also sells products to a customer base, including hospitals, medical centers, doctors, pharmacies, distributors and wholesalers. The Company has also entered into agreements to license its technology and products.

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, the Company considers the promise to transfer products, each of which are distinct, to be the identified performance obligations. In determining the transaction price the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which it expects to be entitled.

For all of the Company's sales to non-consignment distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e. when its performance obligation is satisfied), which typically occurs when title passes to the customer upon shipment but could occur when the customer receives the product based on the terms of the agreement with the customer. For product sales to its value-added resellers, non-stocking distributors and end-user customers, the Company grants return privileges to its customers, and because the Company has a long history with its customers, the Company is able to estimate the amount of product that will be returned. Sales incentives and other programs that the Company may make available to these customers are considered to be a form of variable consideration, and the Company maintains estimated accruals and allowances using the expected value method. With the movement of these sales to a full distributor model in fiscal year 2022, the Company no longer provides these arrangements although the Company still receives some returns from the period prior to the year ended March 31, 2023.

The Company has entered into consignment arrangements, in which goods are left in the possession of another party to sell. As products are sold from the customer to third parties, the Company recognizes revenue based on a variable percentage of a fixed price. Revenue recognized varies depending on whether a patient is covered by insurance or is not covered by insurance. In addition, the Company may incur a revenue deduction related to the use of the Company's rebate program.

Sales to stocking distributors are made under terms with fixed pricing and limited rights of return (known as "stock rotation") of the Company's products held in their inventory. Revenue from sales to distributors is recognized upon the transfer of control to the distributor.

The Company assessed the promised goods and services in the technical support contract with Invekra for a ten-year period as being a distinct service that Invekra can benefit from on its own and as separately identifiable from any other promises within the contract. Given that the distinct service is not substantially the same as other goods and services within the Invekra contract, the Company accounted for the distinct service as a performance obligation.

Accounts Receivable

Trade accounts receivable are recorded net of allowances for cash discounts for prompt payment, doubtful accounts, and sales returns. Estimates for cash discounts and sales returns are based on analysis of contractual terms and historical trends.

The Company's policy is to reserve for uncollectible accounts based on its best estimate of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Other factors that the Company considers include its existing contractual obligations, historical payment patterns of its customers and individual customer circumstances, an analysis of days sales outstanding by customer and geographic region, and a review of the local economic environment and its potential impact on government funding and reimbursement practices. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company did not deem it necessary to record an allowance for doubtful accounts for probable credit losses at December 31, 2023 and March 31, 2023. Additionally, at December 31, 2023 and March 31, 2023 the Company has allowances of $29,000 and $16,000, respectively, related to potential discounts, returns, distributor fees and rebates. The allowances are included in accounts receivable, net in the accompanying condensed consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost, cost being determined on a standard cost basis (which approximates actual cost on a first-in, first-out basis), or net realizable value.

Due to changing market conditions, estimated future requirements, age of the inventories on hand and production of new products, the Company regularly reviews inventory quantities on hand and records a provision to write down excess and obsolete inventory to its estimated net realizable value. The Company recorded a provision to reduce the carrying amounts of inventories to their net realizable value in the amount of $292,000 and $236,000 at December 31, 2023 and March 31, 2023, respectively, which is included in cost of revenues on the Company's accompanying condensed consolidated statements of comprehensive loss.

Recent Accounting Standards

Accounting standards that have been issued or proposed by the FASB, the SEC or other standard setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Note 4. Condensed Consolidated Balance Sheet

Inventories, net

Inventories, net consist of the following:

	December 31, 2023	March 31, 2023
Raw materials	$ 1,507,000	$ 1,764,000
Finished goods	1,448,000	1,094,000
Inventories, net	$ 2,955,000	$ 2,858,000

Leases

The Company's operating leases are comprised primarily of facility leases. The Company did not have any finance leases as of December 31, 2023 and March 31, 2023. Balance sheet information related to our leases is presented below:

	December 31, 2023	March 31, 2023
Operating leases:		
Operating lease right-of-use assets	$ 341,000	$ 418,000
Operating lease liabilities – current	181,000	256,000
Operating lease liabilities – non- current	160,000	162,000

Other information related to leases is presented below:

Nine Months Ended December 31, 2023	
Operating lease cost	$ 328,000
Other information:	
Operating cash flows from operating leases	(99,000)
Weighted-average remaining lease term – operating leases (in months)	21.5
Weighted-average discount rate – operating leases	6.00%

As of December 31, 2023, the annual minimum lease payments of our operating lease liabilities were as follows:

For Years Ending March 31,	
2024 (excluding the nine months ended December 31, 2023)	$ 38,000
2025	134,000
2026	175,000
2027	34,000
Total future minimum lease payments, undiscounted	381,000
Less: imputed interest	(40,000)
Present value of future minimum lease payments	$ 341,000

Note 5. Commitments and Contingencies

Legal Matters

The Company may be involved in legal matters arising in the ordinary course of business including matters involving proprietary technology. While management believes that such matters are currently insignificant, matters arising in the ordinary course of business for which the Company is or could become involved in litigation may have a material adverse effect on its business and financial condition of comprehensive loss.

Employment Agreements

The Company has employment agreements in place with two of its key executives. These executive employment agreements provide, among other things, for the payment of up to eighteen months of severance compensation for terminations under certain circumstances.

Amendments

On June 16, 2023, we entered into an amended and restated employment agreement with our Chief Executive Officer, Amy Trombly. The amended and restated agreement provides that, in the event of termination upon change of control either without cause or for good reason, Ms. Trombly is entitled to receive, in addition to the other benefits described therein, a lump sum severance equal to one and a half times her base salary and one and a half times her target annual bonus. All other material terms of the amended and restated agreement remain unchanged from her prior employment agreement.

On June 16, 2023, we amended and restated our employment agreement with Bruce Thornton, our Chief Operating Officer. Under the amended and restated agreement, Mr. Thornton will serve as Executive Vice President and Chief Operating Officer of the Company. Mr. Thornton will no longer receive a monthly car allowance; however, his base salary is adjusted to include such amount. The amended and restated agreement also provides that, in the event of termination upon change of control either without cause or for good reason, Mr. Thornton is entitled to receive, in addition to the other benefits described therein, to a lump sum severance equal to one and a half times his base salary and one and a half times his target annual bonus. The agreement further provides that upon termination for any reason, Mr. Thornton's outstanding and vested equity awards shall remain exercisable for 18 months following termination. Either party may terminate the employment agreement for any reason upon at least 60 days prior written notice. All other material terms of his amended and restated agreement remain unchanged from his prior employment agreement.

Bonus Grants

On June 16, 2023, the Compensation Committee of the Board of Directors approved annual bonus awards of $162,500 for Ms. Trombly and $150,000 for Mr. Thornton.

Equity Awards

On June 16, 2023, the Compensation Committee of the Board of Directors approved an equity award of 100,000 shares of the Company's common stock to each of Ms. Trombly and Mr. Thornton, to be issued to on June 30, 2023, at a valuation based on the five day weighted trailing average of the Company's stock price on the day of grant. In addition, the Compensation Committee also approved a one-time cash payment by the Company as reimbursement for estimated taxes payable with respect to such equity awards. On September 22, 2023, the Company paid taxes related to the common stock issuance in the amount of $149,000.

As of December 31, 2023, with respect to these agreements, aggregated annual salaries was $586,000 and potential severance payments to these key executives was $1,300,000, if triggered.

Note 6. Debt

Financing of Insurance Premiums

On February 1, 2022, the Company entered into a note agreement for $748,000 with an interest rate of 4.68% per annum with final payment on January 1, 2023. This instrument was issued in connection with financing insurance premiums. The note is payable in ten monthly installment payments of principal and interest of $76,000, with the first installment beginning March 1, 2022.

On February 1, 2023, the Company entered into a note agreement for $453,000 with an interest rate of 8.98% per annum with final payment on January 1, 2024. This instrument was issued in connection with financing insurance premiums. The note is payable in eleven monthly installment payments of principal and interest of $43,000, with the first installment beginning March 1, 2023.

Note 7. Stockholders' Equity

Authorized Capital

The Company is authorized to issue up to 24,000,000 shares of common stock with a par value of $0.0001 per share and 714,286 shares of convertible preferred stock with a par value of $0.0001 per share.

Sale of Common Stock

On October 26, 2023, the Company entered into a placement agency agreement with Maxim Group LLC ("Maxim"), pursuant to which Maxim agreed to use its reasonable best efforts to solicit offers to purchase up to an aggregate of 8,500,000 shares of the Company's common stock, par value $0.0001 per share. The Company agreed to pay Maxim a cash fee equal to 8.0% of the gross proceeds from the offering, plus reimbursement of up to $75,000 of legal fees and other expenses. Additionally, on October 26, 2023, the Company entered into a securities purchase agreement with the purchasers party thereto for the sale and issuance of an aggregate of up to 8,500,000 shares of the Company's common stock at a public offering price of $0.20 per share.

The closing of the offering occurred on October 30, 2023. In connection with the offering, the Company sold 8,500,000 shares of the Company's common stock for aggregate gross proceeds of $1,700,000 and net proceeds of $1,446,000, after deducting placement agent fees and other estimated offering expenses paid by the Company.

Note 8. Stock-Based Compensation

Stock-based compensation expense is as follows:

For the three months ended December 31, 2023 and 2022, the Company incurred $140,000 and $242,000 of stock-based compensation expense, respectively, and for the nine months ended December 31, 2023 and 2022, the Company incurred $447,000 and $569,000 of stock-based compensation expense, respectively. All stock-based compensation incurred is included in selling, general and administrative expense in the accompanying condensed consolidated statements of comprehensive loss.

At December 31, 2023, there were unrecognized compensation costs of $312,000 related to stock options which are expected to be recognized over a weighted-average amortization period of 1.44 years.

Stock options award activity is as follows:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at April 1, 2023	565,000	$ 8.84
Options granted	500,000	0.19
Options forfeited	(49,000)	32.26
Options expired	(5,000)	47.39
Outstanding at December 31, 2023	1,011,000	$ 3.24
Exercisable at December 31, 2023	605,000	$ 4.37

The aggregate intrinsic value of stock options of zero is calculated as the difference between the exercise price of the underlying stock options and the fair value of the Company's common stock, or $0.18 per share at December 31, 2023.

	Number of Shares	Weighted Average Award Date Fair Value per Share
Unvested restricted stock awards outstanding at April 1, 2023	–	$ –
Restricted stock awards granted	251,000	1.04
Restricted stock awards vested	(251,000)	1.04
Unvested restricted stock awards outstanding at December 31, 2023	–	$ –

The Company did not capitalize any cost associated with stock-based compensation.

The Company issues new shares of common stock upon exercise of stock-based awards.

Note 9. Income Taxes

At the end of each interim reporting period, the Company determines the income tax provision by using an estimate of the annual effective tax rate, adjusted for discrete items occurring in the quarter.

The Company's effective tax rate for the three and nine months ended December 31, 2023 was (2.49)% and 6.43%, respectively. The Company's effective tax rate for the three and nine months ended December 31, 2023 differed from the federal statutory tax rate of 21% primarily due to the valuation allowance recognized against deferred tax assets in the U.S., and permanent tax adjustment of intercompany interest expense in Mexico and Netherlands.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence on a jurisdictional basis to estimate if deferred tax assets will be recognized and when it is more likely than not that all or some deferred tax assets will not be realized, and a valuation allowance must be established. As of December 31, 2023, the Company continues to maintain a valuation allowance in the U.S.

Note 10. Revenue Disaggregation

The Company generates revenues from products which are sold into the human and animal healthcare markets and to multiple geographic regions.

The following table presents the Company's disaggregated revenues by revenue source:

(In thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Human Care	$ 2,461	$ 2,435	$ 7,286	$ 7,050
Animal Care	621	434	1,688	1,957
Service and Royalty	56	75	322	1,251
	$ 3,138	$ 2,944	$ 9,296	$ 10,258

The following table shows the Company's revenues by geographic region:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands)	**2023**	**2022**	**2023**	**2022**
United States	$ 868	$ 761	$ 2,214	$ 2,603
Europe	1,217	1,104	3,488	3,117
Asia	522	514	1,730	1,952
Latin America	368	384	1,165	1,827
Rest of the World	163	181	699	759
Total	$ 3,138	$ 2,944	$ 9,296	$ 10,258

Note 11. Significant Customer Concentrations

The following table shows customer revenues as a percentage of net revenue:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
Customer A	11%	13%	12%	18%
Customer B	17%	11%	15%	16%
Customer C	13%	11%	15%	10%
Customer D	*%	*%	*%	*%
Customer E	*%	*%	*%	*%

The following table shows customer accounts receivable balances as a percentage of net accounts receivables:

	December 31, 2023	**December 31, 2022**
Customer A	13%	*%
Customer B	15%	12%
Customer C	*%	*%
Customer D	13%	18%
Customer E	*%	10%

* Represents less than 10%

Note 12. Subsequent Events

Sale of Common Stock

On December 15, 2023, the Company entered into an Equity Distribution Agreement (the "Agreement"), with Maxim Group LLC ("Maxim"), pursuant to which the Company may offer and sell, from time to time, through Maxim, as sales agent or principal, shares of its common stock, $0.0001 par value per share.

Subject to the terms and conditions of the Agreement, Maxim will use commercially reasonable efforts consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations and the rules of the Nasdaq Capital Market to sell shares from time to time based upon the Company's instructions, including any price, time or size limits specified by the Company. Under the Agreement, Maxim may sell shares by any method deemed to be an "at the market" offering as defined in Rule 415 under the U.S. Securities Act of 1933, as amended, or any other method permitted by law, including in privately negotiated transactions. Maxim's obligations to sell shares under the Agreement are subject to satisfaction of certain conditions, including customary closing conditions for transactions of this nature. The Company will pay Maxim a commission of 3% of the aggregate gross proceeds from each sale of shares and has agreed to provide Maxim with customary indemnification and contribution rights. The Company also agreed to reimburse Maxim for certain specified expenses of up to $20,000. On January 11, 2024, the Company sold 1,923,100 shares of its common stock for gross proceeds of approximately $392,000 and net proceeds of approximately $356,000.

Commercial Agreement

On January 5, 2024, the Company entered into a license and distribution agreement with NovaBay Pharmaceuticals, Inc. for the sale and marketing of Avenova®-branded products by the Company in the European Union. The agreement is for an initial term of two years, subject to automatic renewal periods. These products combine the Company's existing eye product Ocudox®, which already has a Class IIB CE mark for sale in the European Union, with Avenova branding, and are expected to be marketed through the Company's established European distribution network.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes to those statements included elsewhere in this Quarterly Report on Form 10-Q as of December 31, 2023 and our audited consolidated financial statements for the year ended March 31, 2023 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on June 21, 2023.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words "anticipate," "suggest," "estimate," "plan," "aim," "seek," "project," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would," "likely," "proposal," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to the risks described in our Annual Report on Form 10-K including: our ability to become profitable; our dependence on third-party distributors; certain tax impacts of inter-company loans between us and our Mexican subsidiary; the progress and timing of our development programs and regulatory approvals for our products; the benefits and effectiveness of our products; the ability of our products to meet existing or future regulatory standards; the progress and timing of clinical trials and physician studies; our expectations and capabilities relating to the sales and marketing of our current products and our product candidates; our ability to compete with other companies that are developing or selling products that are competitive with our products; the establishment of strategic partnerships for the development or sale of products; the risk our research and development efforts do not lead to new products; the timing of commercializing our products; our ability to penetrate markets through our sales force, distribution network, and strategic business partners to gain a foothold in the market and generate attractive margins; the ability to attain specified revenue goals within a specified time frame, if at all, or to reduce costs; the outcome of discussions with the U.S. Food and Drug Administration, or FDA, and other regulatory agencies; the content and timing of submissions to, and decisions made by, the FDA and other regulatory agencies, including demonstrating to the satisfaction of the FDA the safety and efficacy of our products; our ability to manufacture sufficient amounts of our products for commercialization activities; our ability to protect our intellectual property and operate our business without infringing on the intellectual property of others; our ability to continue to expand our intellectual property portfolio; the risk we may need to indemnify our distributors or other third parties; risks attendant with conducting a significant portion of our business outside the United States; our ability to comply with complex federal and state fraud and abuse laws, including state and federal anti-kickback laws; risks associated with changes to health care laws; our ability to attract and retain qualified directors, officers and employees; our expectations relating to the concentration of our revenue from international sales; our ability to expand to and commercialize products in markets outside the wound care market; our ability to protect our information technology and infrastructure; and the impact of any future changes in accounting regulations or practices in general with respect to public companies. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

Our Business

We are a global healthcare leader for developing and producing stabilized hypochlorous acid, or HOCl, products for a wide range of applications, including wound care, eye, oral and nasal care, dermatological conditions, podiatry, animal health care and non-toxic disinfectants. Our products reduce infections, scarring and harmful inflammatory responses in a safe and effective manner. In-vitro and clinical studies of HOCl show it to have impressive antipruritic, antimicrobial, antiviral and anti-inflammatory properties. Our stabilized HOCl immediately relieves itch and pain, kills pathogens and breaks down biofilm, does not sting or irritate skin and oxygenates the cells in the area treated, assisting the body in its natural healing process. We sell our products either directly or via partners in 55 countries worldwide.

Business Channels

Our core market differentiation is based on being the leading developer and producer of stabilized hypochlorous acid, or HOCl, solutions. We have been in business for over 20 years, and in that time, we have developed significant scientific knowledge of how best to develop and manufacture HOCl products, backed by decades of studies and data collection. HOCl is known to be among the safest and most-effective ways to relieve itch, inflammation and burns while stimulating natural healing through increased oxygenation and eliminating persistent microorganisms and biofilms.

We sell our products based on our HOCl technology into many markets both in the U.S. and internationally. Our core strategy is to work with partners to market and distribute our products. In some cases, we market and sell our own products.

Dermatology

We have developed unique, differentiated, prescription-strength and safe dermatologic products that support paths to healing among various key dermatologic conditions. Our products are primarily targeted at the treatment of redness and irritation, the management of scars, and symptoms of eczema/atopic dermatitis. We are strategically focused on introducing innovative new products that are supported by human clinical data with applications that address specific dermatological procedures currently in demand. In addition, we look for markets where we can provide effective product line extensions and pricing to new product families.

In the United States, we partner with EMC Pharma, LLC to sell our prescription dermatology products. Pursuant to our March 2021 agreement with EMC Pharma, we manufacture products for EMC Pharma and EMC Pharma has the right to market, sell and distribute them to patients and customers for an initial term of five years, subject to meeting minimum purchase and other requirements.

In September 2021, we launched a new over-the-counter product, Regenacyn® Advanced Scar Gel, which is clinically proven to improve the overall appearance of scars while reducing pain, itch, redness, and inflammation. On the same day, we launched Regenacyn® Plus, a prescription-strength scar gel which is available as an office dispense product through physician offices.

In October 2022, we launched two new over-the-counter dermatology products in the United States, Reliefacyn® Advanced Itch-Burn-Rash-Pain Relief Hydrogel for the alleviation of red bumps, rashes, shallow skin fissures, peeling, and symptoms of eczema/atopic dermatitis, and Rejuvacyn® Advanced Skin Repair Cooling Mist for management of minor skin irritations following cosmetic procedures as well as daily skin health and hydration.

In June 2022, the Natural Products Association certified Rejuvacyn Advanced as a Natural Personal Care Product. Reliefacyn Advanced received the National Eczema Association Seal of Acceptance™ in 2023.

In January 2023, we launched a line of office dispense products exclusively for skin care professionals, including two new prescription strength dermatology products, Reliefacyn® Plus Advanced Itch-Burn-Rash-Pain Relief Hydrogel and Rejuvacyn® Plus Skin Repair Cooling Mist. These products, along with Regenacyn® Plus Scar Gel, are marketed and sold directly to dermatology practices and medical spas.

In April 2023, we introduced a new pediatric dermatology and wound care product for over-the-counter use, Pediacyn™ All Natural Skin Care & First Aid For Children.

In January 2024, we launched Lumacyn™ Clarifying Mist, a direct-to-consumer skin care product in the United States. Lumacyn is an all-natural daily toner to soothe skin, reduce redness and irritation, and manage blemishes by reducing infection.

Our consumer products are available through Amazon.com, our online store, and third-party distributors.

We sell dermatology products in Europe and Asia through distributors. In these international markets, we have a network of partners, ranging from country specific distributors to large pharmaceutical companies to full-service sales and marketing companies. We work with our international partners to create products they can market in their home country. Some products we develop and manufacture are custom label while others use branding we have already developed. We have created or co-developed a wide range of products for international markets using our core HOCl technology.

First Aid and Wound Care

Our HOCl-based wound care products are intended for the treatment of acute and chronic wounds as well as first- and second-degree burns, and as an intraoperative irrigation treatment. They work by first removing foreign material and debris from the skin surface and moistening the skin, thereby improving wound healing. Secondly, our HOCl products assist in the wound healing process by removing microorganisms. HOCl is an important constituent of our innate immune system, formed and released by the macrophages during phagocytosis. Highly organized cell structures such as human tissue can tolerate the action of our wound care solution while single-celled microorganisms cannot, making our products advantageous to other wound-irrigation and antiseptic solutions. Due to its unique chemistry, our wound treatment solution is also much more stable than similar products on the market and therefore maintains much higher levels of hypochlorous acid over its shelf life.

In the United States, we sell our wound care products directly to hospitals, physicians, nurses, and other healthcare practitioners and indirectly through non-exclusive distribution arrangements. In Europe, the Middle East and Asia, we sell our wound care products through a diverse network of distributors.

To respond to market demand for our HOCl technology-based products, we launched our first direct to consumer over-the-counter product in the United States in February 2021. Microcyn® OTC Wound and Skin Cleanser is formulated for home use without prescription to help manage and cleanse wounds, minor cuts, and burns, including sunburns and other skin irritations. Microcyn OTC is available without prescription through Amazon.com, our online store, and third-party distributors.

In March 2021, we received approval to market and use our HOCl products as biocides under Article 95 of the European Biocidal Products Regulation in France, Germany and Portugal. The approval applies to our products MucoClyns™ for human hygiene to be marketed and commercialized by us, MicrocynAH® for animal heath marketed and commercialized through our partner, Petagon Limited, and MicroSafe for disinfectant use to be marketed and commercialized through our partner, MicroSafe Group DMCC.

In June 2022, the Natural Products Association certified Microcyn OTC as a Natural Personal Care Product in the United States.

In June 2023, we announced a new application of our HOCl technology for intraoperative pulse lavage irrigation treatment, which can replace commonly used IV bags in a variety of surgical procedures. The intraoperative pulse lavage container is designed to be used in combination with a pulse lavage irrigation device, or flush gun, for abdominal, laparoscopic, orthopedic, and periprosthetic procedures. It is in trial use by hospitals in Europe and launched in the U.S. in November 2023.

Eye Care

Our prescription product Acuicyn™ is an antimicrobial prescription solution for the treatment of blepharitis and the daily hygiene of eyelids and lashes and helps manage red, itchy, crusty and inflamed eyes. It is strong enough to kill the bacteria that causes discomfort, fast enough to provide near instant relief, and gentle enough to use as often as needed. In the United States, our partner EMC Pharma sells Acuicyn through its distribution network.

In September 2021, we launched Ocucyn® Eyelid & Eyelash Cleanser, which is sold directly to consumers on Amazon.com, through our online store, and through third party distributors. Ocucyn® Eyelid & Eyelash Cleanser, designed for everyday use, is a safe, gentle, and effective solution for good eyelid and eyelash hygiene.

In international markets we rely on distribution partners to sell our eye products. On May 19, 2020, we entered into an expanded license and distribution agreement with our existing partner, Brill International S.L., for our Microdacyn60® Eye Care HOCl-based product. Under the license and distribution agreement, Brill has the right to market and distribute our eye care product under the private label Ocudox™ in Italy, Germany, Spain, Portugal, France, and the United Kingdom for a period of 10 years, subject to meeting annual minimum sales quantities. In return, Brill paid us a one-time fee and the agreed upon supply prices. In parts of Asia, Dyamed Biotech markets our eye product under the private label Ocucyn.

In January 2024, we entered into a license agreement with NovaBay Pharmaceuticals, Inc. for the sale and marketing of Avenova®-branded Ocudox products in the European Union through our European distribution network.

Oral, Dental and Nasal Care

We sell a variety of oral, dental, and nasal products around the world.

In late 2020, we launched a HOCl-based product in the dental, head and neck markets called Endocyn®, a biocompatible root canal irrigant. In the U.S., we sell Endocyn through U.S.-based distributors.

In international markets, our product Microdacyn60® Oral Care treats mouth and throat infections and thrush. Microdacyn60 assists in reducing inflammation and pain, provides soothing cough relief and does not contain any harmful chemicals. It does not stain teeth, is non-irritating, non-sensitizing, has no contraindications and is ready for use with no mixing or dilution.

Our international nasal care product Sinudox™ based on our HOCl technology is an electrolyzed solution intended for nasal irrigation. Sinudox clears and cleans stuffy, runny noses and blocked or inflamed sinuses by ancillary ingredients that may have a local antimicrobial effect. Sinudox is currently sold through Amazon in Europe. In other parts of the world, we partner with distributors to sell Sinudox.

Podiatry

Our HOCl-based wound care products are also indicated for the treatment of diabetic foot ulcers. In the United States, we sell our wound care products directly to podiatrists, as well as hospitals, nurses, and other healthcare practitioners, and indirectly through non-exclusive distribution arrangements. In Europe, we sell our wound care products for podiatric use through a diverse network of distributors.

On April 11, 2023, we launched Podiacyn™ Advanced Everyday Foot Care direct to consumers for over-the-counter use in the United States, intended for management of foot odors, infections, and irritations, as well as daily foot health and hygiene. Podiacyn is available through Amazon.com, our online store, and third-party distributors.

Animal Health Care

MicrocynAH® is an HOCl-based topical product that cleans, debrides and treats a wide spectrum of animal wounds and infections. It is intended for the safe and rapid treatment of a variety of animal afflictions including cuts, burns, lacerations, rashes, hot spots, rain rot, post-surgical sites, pink eye symptoms and wounds to the outer ear.

For our animal health products sold in the U.S. and Canada, we partner with Manna Pro Products, LLC. Manna Pro distributes non-prescription products to national pet-store retail chains and farm animal specialty stores such as Chewy.com, PetSmart, Tractor Supply, Cabela's, PetExpress, and Bass Pro Shops. In August 2022, we announced the launch of a MicrocynVS® line of products exclusively for veterinarians for the management of wound, skin, ear and eye afflictions in all animal species.

For the Asian and European markets, on May 20, 2019, we partnered with Petagon, Limited, an international importer and distributor of quality pet food and products for an initial term of five years. We supply Petagon with all MicrocynAH products sold by Petagon. On August 3, 2020, Petagon received a license from the People's Republic of China for the import of veterinary drug products manufactured by us. This is the highest classification Petagon and Sonoma can receive for animal health products in China.

Surface Disinfectants

Our HOCl technology has been formulated as a disinfectant and sanitizer solution for our partner MicroSafe and is sold in numerous countries. It is designed to be used to spray in aerosol format in areas and environments likely to serve as a breeding ground for the spread of infectious disease, which could result in epidemics or pandemics. The medical-grade surface disinfectant solution is used in hospitals worldwide to protect doctors and patients. In May 2020, Nanocyn® Disinfectant & Sanitizer received approval to be entered into the Australian Register of Therapeutic Goods, or ARTG for use against the coronavirus SARS-CoV-2, or COVID-19, and was also authorized in Canada for use against COVID-19. Nanocyn has also met the stringent environmental health and social/ethical criteria of Good Environmental Choice Australia, or GECA, becoming one of the very few eco-certified, all-natural disinfectant solutions in Australia.

Through our partner MicroSafe, we sell hard surface disinfectant products into Europe, the Middle East and Australia.

On July 31, 2021, we granted MicroSafe the non-exclusive right to sell and distribute Nanocyn in the United States provided that MicroSafe secure U.S. EPA approval. In April of 2022, MicroSafe secured the EPA approval for Nanocyn® Disinfectant & Sanitizer, meaning that it can now be sold in the United States as a surface disinfectant. Nanocynwas subsequently added to the EPA's list N for use against COVID-19. In June 2022, the EPA added Nanocyn to List Q as a disinfectant for Emerging Viral Pathogens, including Ebola virus, Mpox, and SARS-CoV-2, and in March 2023 the EPA added Nanocyn to Lists G and H, for use against Methicillin Resistant Staphylococcus Aureus (MRSA), Salmonella, Norovirus, Poliovirus, and as a fungicide. Nanocyn also received the Green Seal® Certification after surpassing a series of rigorous standards that measure environmental health, sustainability and product performance. Nanocyn is currently sold by MicroSafe in Europe, the Middle East and Australia.

Additional Information

Investors and others should note that we announce material financial information using our company website (www.sonomapharma.com), our investor relations website (ir.sonomapharma.com), SEC filings, press releases, public conference calls and webcasts. The information on, or accessible through, our websites is not incorporated by reference in this Quarterly Report on Form 10-Q.

Results of Continuing Operations

Comparison of the Three and Nine Months Ended December 31, 2023 and 2022

Revenue

The following table shows our consolidated total revenue and revenue by geographic region for the three and nine months ended December 31, 2023 and 2022:

	Three Months Ended December 31,			
(In thousands)	**2023**	**2022**	**$ Change**	**% Change**
United States	$ 868	$ 761	$ 107	14%
Europe	1,217	1,104	113	10%
Asia	522	514	8	2%
Latin America	368	384	(16)	(4%)
Rest of the World	163	181	(18)	(10%)
Total	$ 3,138	$ 2,944	$ 194	7%

	Nine Months Ended December 31,			
(In thousands)	**2023**	**2022**	**$ Change**	**% Change**
United States	$ 2,214	$ 2,603	$ (389)	(15%)
Europe	3,488	3,117	371	12%
Asia	1,730	1,952	(222)	(11%)
Latin America	1,165	1,827	(662)	(36%)
Rest of the World	699	759	(60)	(8%)
Total	$ 9,296	$ 10,258	$ (962)	(9%)

The increase in United States revenue of $107,000 for the three months ended December 31, 2023 and decrease in United States revenue of $389,000 for the nine months ended December 31, 2023, were primarily the result of fluctuations in over-the-counter animal health care sales.

The increase in Europe revenue for the three and nine months ended December 31, 2023 of $113,000 and $371,000, respectively, was the result of increased demand for our products.

The increase in Asia revenue for the three months ended December 31, 2023 of $8,000 and decrease of revenue in Asia of $222,000 for the nine months ended December 31, 2023, was primarily due to timing of orders. Revenues from our international distributors tend to fluctuate from period to period due to customer placement of larger but less frequent orders to benefit from quantity discounts and reduced shipping costs.

The decrease in Latin America revenue for the three months ended December 31, 2023 of $16,000 was primarily the result of the timing of orders from our partner in Mexico. The decrease in Latin America revenue for the nine months ended December 31, 2023 of $662,000 was primarily due to service revenue recorded from selling machinery to a customer for $750,000 in the prior period. Management expects this to be a one-time event.

The decrease in Rest of World revenue for the three and nine months ended December 31, 2023 of $18,000 and $60,000, respectively, was primarily due to timing of customer orders.

Cost of Revenue and Gross Profit

The cost of revenue and gross profit metrics for the three and nine months ended December 31, 2023 and 2022 are as follows:

	Three Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Cost of Revenues	$ 1,678	$ 2,113	$ (435)	(21%)
Cost of Revenue as a % of Revenues	53%	72%		
Gross Profit	$ 1,460	$ 831	$ 629	76%
Gross Profit as a % of Revenues	47%	28%		

	Nine Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Cost of Revenues	$ 5,642	$ 6,645	$ (1,003)	(15%)
Cost of Revenue as a % of Revenues	61%	65%		
Gross Profit	$ 3,654	$ 3,613	$ 41	1%
Gross Profit as a % of Revenues	39%	35%		

The increase in gross profit margin of $629,000 for the three months ended December 31, 2023, as compared to the prior period, was primarily due to overall product mix, redeployment of labor to research and development projects in the current year and higher costs of materials and transportation in the prior period.

The increase in gross profit margin of $41,000 for the nine months ended December 31, 2023, as compared to the prior period, was primarily due to an increase in revenue in the current period.

Research and Development Expense

The research and development expense metrics as of December 31, 2023 and 2022 are as follows:

	Three Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Research and Development Expense	$ 601	$ –	601	100%
Research and Development Expense as a % of Revenues	19%	0%		

	Nine Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Research and Development Expense	$ 1,462	$ 6	1,456	N/A
Research and Development Expense as a % of Revenues	16%	0%		

Increases in research and development expenses for the three and nine months ended December 31, 2023 of $601,000 and $1,456,000, respectively, were due to increased product development and expanded regulatory efforts in the U.S. and Europe to support new product releases.

Selling, General and Administrative Expense

The selling, general and administrative expense metrics are as of December 31, 2023 and 2022 are as follows:

	Three Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Selling, General and Administrative Expense	$ 1,703	$ 2,665	$ (962)	(36%)
Selling, General and Administrative Expense as a % of Revenues	54%	91%		

	Nine Months Ended December 31,			
(In thousands, except for percentages)	**2023**	**2022**	**Change**	**% Change**
Selling, General and Administrative Expense	$ 5,484	$ 7,030	$ (1,546)	(22%)
Selling, General and Administrative Expense as a % of Revenues	59%	69%		

The decline in selling, general and administrative expense for the three and nine months ended December 31, 2023 of $962,000 and $1,546,000, respectively, was the result of ongoing efforts to contain expenses across all parts of the company.

Other Expense, net

Other expense, net for the three and nine months ended December 31, 2023 was $79,000 and $380,000, respectively, compared to $71,000 and $322,000, respectively, for the three and nine months ended December 31, 2022. The changes in other expense, net primarily relate to exchange rate fluctuations.

Income tax benefit (expense)

Income tax benefit (expense) for the three and nine months ended December 31, 2023 was $57,000 and ($96,000), respectively. Income tax expense for the three and nine months ended December 31, 2022 was ($34,000) and ($98,000), respectively.

Net Loss

The following table provides the net loss for each period along with the computation of basic and diluted net loss per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(In thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net loss	$ (866)	$ (1,939)	$ (3,768)	$ (3,843)
Denominator:				
Weighted-average number of common shares outstanding: basic and diluted	10,909	3,107	7,011	3,104
Net loss per share: basic and diluted	$ (0.08)	$ (0.62)	$ (0.54)	$ (1.24)

Liquidity and Capital Resources

We reported a net loss of $866,000 and $1,939,000 for the three months ended December 31, 2023 and 2022, respectively, and $3,768,000 and $3,843,000 for the nine months ended December 31, 2023 and 2022, respectively. At December 31, 2023 and March 31, 2023, our accumulated deficit amounted to $193,282,000 and $189,514,000, respectively. As of December 31, 2023, we had cash and cash equivalents of $2,406,000 compared to $2,634,000 on December 31, 2022. Since our inception, substantially all of our operations have been financed through sales of equity securities. Other sources of financing that we have used to date include our revenues, royalty payments from licensing our products, as well as various loans and the sale of certain assets to Invekra, Petagon, and Microsafe.

On October 26, 2023, we entered into a placement agency agreement with Maxim Group LLC ("Maxim"), pursuant to which Maxim agreed to use its reasonable best efforts to solicit offers to purchase up to an aggregate of 8,500,000 shares of our common stock, par value $0.0001 per share. We agreed to pay Maxim a cash fee equal to 8.0% of the gross proceeds from the offering, plus reimbursement of up to $75,000 of legal fees and other expenses. Additionally, on October 26, 2023, we entered into a securities purchase agreement with the purchasers party thereto for the sale and issuance of an aggregate of up to 8,500,000 shares of our common stock at a public offering price of $0.20 per share.

The closing of the offering occurred on October 30, 2023. In connection with the offering, we sold 8,500,000 shares of the our common stock for aggregate gross proceeds of $1,700,000 and net proceeds of $1,446,000, after deducting placement agent fees and other offering expenses.

On December 15, 2023, we entered into an Equity Distribution Agreement (the "Agreement"), with Maxim Group LLC ("Maxim"), pursuant to which we may offer and sell, from time to time, through Maxim, as sales agent or principal, shares of our common stock, $0.0001 par value per share.

Subject to the terms and conditions of the Agreement, Maxim will use commercially reasonable efforts consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations and the rules of the Nasdaq Capital Market to sell shares from time to time based upon our instructions, including any price, time or size limits specified by us. Under the Agreement, Maxim may sell shares by any method deemed to be an "at the market" offering as defined in Rule 415 under the U.S. Securities Act of 1933, as amended, or any other method permitted by law, including in privately negotiated transactions. Maxim's obligations to sell shares under the Agreement are subject to satisfaction of certain conditions, including customary closing conditions for transactions of this nature. We will pay Maxim a commission of 3% of the aggregate gross proceeds from each sale of shares and we have agreed to provide Maxim with customary indemnification and contribution rights. We also agreed to reimburse Maxim for certain specified expenses of up to $20,000. On January 11, 2024, we sold 1,923,100 shares of our common stock for gross proceeds of approximately $392,000 and net proceeds of approximately $356,000.

The following table presents a summary of our consolidated cash flows for operating, investing and financing activities for the nine months ended December 31, 2023 and 2022, as well as balances of cash and cash equivalents and working capital:

	Nine Months Ended December 31,	
(In thousands)	**2023**	**2022**
Net cash used in:		
Operating activities	$ (2,550)	$ (3,711)
Investing activities	(20)	(176)
Financing activities	1,054	(883)
Effect of exchange rates on cash	102	8
Net change in cash and cash equivalents	(1,414)	(4,762)
Cash and cash equivalents, beginning of the period	3,820	7,396
Cash and cash equivalents, end of the period	$ 2,406	$ 2,634
Working capital [(1)], end of period	$ 9,428	$ 7,298

(1) Defined as current assets minus current liabilities

Net cash used in operating activities during the nine months ended December 31, 2023 was $2,550,000, primarily due to a net loss of $3,768,000, an increase in accounts receivables of $221,000, and an increase in inventory of $93,000, offset by stock compensation of $447,000 and an increase in prepaid expenses of $546,000.

Net cash used in operating activities during the nine months ended December 31, 2022 was $3,711,000, primarily due to a net loss of $3,843,000, and a decrease in deferred revenue of $1,204,000, offset by $569,000 of stock based compensation.
Net cash used in investing activities was $20,000 for the nine months ended December 31, 2023, primarily related to purchases of equipment.

Net cash used in investing activities was $176,000 for the nine months ended December 31, 2022, primarily related to long term deposits and purchases of equipment.
Net cash provided by financing activities was $1,054,000 for the nine months ended December 31, 2023, primarily due to the sale of common stock for net proceeds of $1,446,000 offset by principal payments on short-term debt of $387,000.

Net cash used in financing activities was $883,000 for the nine months ended December 31, 2022, primarily due to principal payments on short-term debt of $674,000 and payments of PPP loan of $120,000.
We expect revenues to fluctuate and may incur losses in the foreseeable future and may need to raise additional capital to pursue our product development initiatives, to penetrate markets for the sale of our products and continue as a going concern. We cannot provide any assurances that we will be able to raise additional capital.

Management believes that we have access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means; however, we cannot provide any assurance that new financing will be available on commercially acceptable terms, if at all. If the economic climate in the U.S. deteriorates, our ability to raise additional capital could be negatively impacted. If we are unable to secure additional capital, we may be required to take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our obligations. These measures could cause significant delays in our continued efforts to commercialize our products, which is critical to the realization of our business plan and our future operations. These matters raise substantial doubt about our ability to continue as a going concern.

Material Trends and Uncertainties

We rely on certain key customers for a significant portion of our revenues. A small number of customers may represent a significant portion of our total revenues in any given period. These customers may not consistently purchase our products at a particular rate over any subsequent period.

We are exposed to risk from decline in foreign currency for both the Euro and the Mexico Peso versus the U.S. dollar. Most recently there has been a sharp decline in the Euro versus the U.S. dollar which has impacted our financial results.

As we have previously discussed in our annual report on Form 10-K filed with the SEC on June 21, 2023, we face a substantial Mexico tax liability, intercompany debt, unpaid technical assistance charges and accrued interest. These amounts are not due until 2027. At this time, management believes there are sufficient assets on the balance sheet to more than cover any tax obligation without interrupting our operations or business. We have engaged tax professionals to review all options to limit our exposure to these amounts and to proceed in a manner that is most advantageous to us.

The effects of the recent pandemic continue to impact economies worldwide, and we are closely watching inflation, increased volatility within financial markets, shipping costs, supply chain issues and labor costs. Any impact to our business operations, customer demand and supply chain due to increased shipping costs may ultimately impact sales. We continue to evaluate our end-to-end supply chain and assess opportunities to refine the impact on sales. Currently, most of our customers pay for shipping expenses, including increased shipping costs, if any. We have not yet faced labor shortages however it is possible we may have difficulties retaining and finding qualified employees in a tight labor market in the future. Furthermore, overall inflation tendencies may put pressure on our product pricing and/or costs.

We also closely monitor overall economic conditions, consumer sentiment and the prospect of a recession in the United States which may impact our financial results.

Use of Estimates

The preparation of consolidated 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 and disclosures of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Significant estimates and assumptions include reserves and write-downs related to receivables and inventories, the recoverability of long-lived assets, the valuation allowance related to our deferred tax assets, valuation of equity and derivative instruments, debt discounts, valuation of investments and the estimated amortization periods of upfront product licensing fees received from customers.

Off-Balance Sheet Transactions

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of our most recent fiscal quarter. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2023 due to the fact that material weaknesses in our internal controls over financial reporting exist at period end.

Notwithstanding our ineffective disclosure controls and procedures, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. generally accepted accounting principles.

Management's Remediation Measures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *2013 Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2023. We have determined that there were inadequate spreadsheet controls, a lack of separation of duties with preparation and review of the reported numbers, and inadequate analysis of revenue reporting among other things. We believe we have taken steps to correct this, but the controls have not been tested and have not been working for a sufficient period of time to remove this weakness.

Management, with oversight from the Audit Committee of our Board of Directors, is actively engaged in remediation efforts to address the material weaknesses identified in the management's evaluation of internal controls and procedures. Management has taken a number of actions to remediate the material weaknesses described above, including the following:

- Improved monitoring and risk assessment activities to address these control deficiencies.
- Hired an interim Chief Financial Officer in April 2023 and a Controller in July 2023.
- Separated the preparation of the financial reports from review of the financial reports.
- Implemented additional process-level controls over revenue recognition of new contracts.
- Developed and delivered further internal controls training to individuals associated with these control deficiencies and enhanced training provided to all personnel who have financial reporting or internal control responsibilities in these areas. The training includes a review of individual roles and responsibilities related to internal controls, proper oversight and reemphasizes the importance of completing the control procedures.
- Did a detailed review of income taxes and our intercompany agreements which uncovered the fact that we should be accruing withholding taxes that will be paid to Mexico when intercompany interest and technical assistance payments are made to Mexico from the United States and that we will not be eligible for a tax credit in the United States because of our net operating loss positions.

These improvements are targeted at strengthening our internal control over financial reporting and remediating the material weaknesses. We remain committed to an effective internal control environment, and management believes that these actions and the improvements management expects to achieve as a result will effectively remediate the material weaknesses. However, the material weaknesses in our internal control over financial reporting will not be considered remediated until the controls operate for a sufficient period of time and management has concluded, through testing that these controls operate effectively. As of the date of filing this Quarterly Report on Form 10-Q, management is in the process of testing and evaluating these additional controls to determine whether they are operating effectively. We have hired appropriate accounting staff to establish effective internal controls and processes.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not finished testing our controls and sufficient time has not elapsed to make the determination these controls are operating effectively.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On occasion, we may be involved in legal matters arising in the ordinary course of our business including matters involving proprietary technology. While management believes that such matters are currently insignificant, matters arising in the ordinary course of business for which we are or could become involved in litigation may have a material adverse effect on our business, financial condition or results of comprehensive loss.

Item 1A. Risk Factors

Other than the risks set forth below, there have been no material changes from risk factors previously disclosed in our annual report on Form 10-K for the fiscal year ended March 31, 2023, as filed with the SEC June 21, 2023.

Our failure to maintain compliance with Nasdaq's continued listing requirements could result in the delisting of our common stock.

On September 22, 2023, we received a letter from The Nasdaq Stock Market LLC ("Nasdaq") indicating that we are not in compliance with Nasdaq Listing Rule 5550(a)(2), which requires companies listed on The Nasdaq Stock Market to maintain a minimum bid price of $1 per share for continued listing. Nasdaq's letter has no immediate impact on the listing of our common stock, which will continue to be listed and traded on Nasdaq, subject to our compliance with the other continued listing requirements. Nasdaq has granted us a period of 180 calendar days, or until March 20, 2024, to regain compliance with the rule. We may regain compliance at any time during this compliance period if the minimum bid price for our common stock is at least $1 for a minimum of ten consecutive business days.

Until Nasdaq has reached a final determination that we have regained compliance with all of the applicable continued listing requirements, there can be no assurances regarding the continued listing of our common stock or warrants on Nasdaq. The delisting of our common stock and warrants from Nasdaq would have a material adverse effect on our access to capital markets, and any limitation on market liquidity or reduction in the price of its common stock as a result of that delisting would adversely affect our ability to raise capital on terms acceptable to us, if at all.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not issue any unregistered securities during the quarter ended December 31, 2023 and through February 8, 2024.

Item 3. Default Upon Senior Securities

We did not default upon any senior securities during the quarter ended December 31, 2023.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Effective February 7, 2024, our Board of Directors appointed Jerome Dvonch as our Chief Financial Officer. Prior to this appointment, Mr. Dvonch has served as our interim Chief Financial Officer since April 7, 2023.

Mr. Dvonch will be employed at-will on a full-time basis. We agreed to compensate Mr. Dvonch $240,000 per year. Mr. Dvonch is eligible for a bonus up to 50% of his annual salary, prorated the first year based on a fiscal year end of March 31 and dependent upon meeting specified performance goals. He is also eligible for equity grants within the normal employee equity programs and for benefits, such as vacation, and our medical, dental, vision and retirement plans.

The foregoing description is not complete and is qualified in its entirety by reference to the full text of the offer letter to Mr. Dvonch, a copy of which is filed herewith as Exhibit 10.41 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Also on February 7, 2024, we entered into a new offer letter with our Controller, John Dal Poggetto, pursuant to which Mr. Dal Poggetto will be employed at-will on a full-time basis. We agreed to compensate Mr. Dal Poggetto $200,000 per year. Mr. Dal Poggetto is eligible for a bonus up to 20% of his annual salary, prorated the first year based on a fiscal year end of March 31 and dependent upon meeting specified performance goals. He is also eligible for equity grants within the normal employee equity programs and for benefits, such as vacation, and our medical, dental, vision and retirement plans.

The foregoing description is not complete and is qualified in its entirety by reference to the full text of the offer letter to Mr. Dal Poggetto, a copy of which is filed herewith as Exhibit 10.42 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Item 6. Exhibits

Exhibit Index

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., effective January 30, 2006 (included as exhibit 3.1 of the Company's Annual Report on Form 10-K filed June 20, 2007, and incorporated herein by reference).
3.2	Certificate of Amendment of Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., effective October 22, 2008 (included as exhibit A in the Company's Definitive Proxy Statement on Schedule 14A filed July 21, 2008, and incorporated herein by reference).
3.4	Certificate of Amendment of Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., as amended, effective March 29, 2013 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed March 22, 2013, and incorporated herein by reference).
3.5	Certificate of Amendment of Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., as amended, effective December 4, 2014 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed December 8, 2014, and incorporated herein by reference).
3.6	Certificate of Amendment of Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., as amended, effective October 22, 2015 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed October 27, 2015, and incorporated herein by reference).
3.7	Certificate of Amendment of Restated Certificate of Incorporation of Oculus Innovative Sciences, Inc., as amended, effective June 24, 2016 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed June 28, 2016, and incorporated herein by reference).
3.8	Certificate of Amendment of Restated Certificate of Incorporation of Sonoma Pharmaceuticals, Inc., as amended, effective December 6, 2016 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed December 7, 2016, and incorporated herein by reference).
3.9	Amended and Restated Bylaws, as amended, of Sonoma Pharmaceuticals, Inc., effective December 6, 2016 (included as exhibit 3.2 to the Company's Current Report on Form 8-K filed December 7, 2016, and incorporated herein by reference).
3.10	Certificate of Designation of Preferences, Rights and Limitations of Series A 0% Convertible Preferred Stock, filed with the Delaware Secretary of State on April 24, 2012 (included as exhibit 4.2 to the Company's Current Report on Form 8-K, filed April 25, 2012, and incorporated herein by reference).
3.11	Certificate of Designation of Series B Preferred Stock, effective October 18, 2016 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed October 21, 2016, and incorporated herein by references).
3.12	Certificate of Amendment of Restated Certificate of Incorporation of Sonoma Pharmaceuticals, Inc., as amended, effective June 19, 2019 (included as exhibit 3.1 to the Company's Current Report on Form 8-K filed June 19, 2019, and incorporated herein by reference).
4.1	Specimen Common Stock Certificate (included as exhibit 4.1 to the Company's Annual Report on Form 10-K filed June 28, 2017, and incorporated herein by reference).
4.2	Section 382 Rights Agreement, dated as of October 18, 2016, between Oculus Innovative Sciences, Inc. and Computershare Inc., which includes the Form of Certificate of Designation of Series B Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Stock as Exhibit C (included as exhibit 4.1 to the Company's Current Report on Form 8-K filed October 21, 2016, and incorporated herein by reference).
4.3	Form of Placement Agent Warrant granted to Dawson James Securities, Inc. and The Benchmark Company, LLC in connection with the March 2, 2018 public offering, dated March 6, 2018 (included as exhibit 4.1 to the Company's Current Report on Form 8-K filed March 6, 2018, and incorporated herein by reference).
4.4	Form of Placement Agent Warrant granted to Dawson James Securities, Inc. in connection with the November 2019 public offering (included as exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 29, 2019, and incorporated herein by reference).
10.1	Form of Indemnification Agreement between Oculus Innovative Sciences, Inc. and its officers and directors (included as exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.2	Office Lease Agreement, dated May 18, 2006, between Oculus Technologies of Mexico, S.A. de C.V. and Antonio Sergio Arturo Fernandez Valenzuela (translated from Spanish) (included as exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.3	Office Lease Agreement, dated July 2003, between Oculus Innovative Sciences, B.V. and Artikona Holding B.V. (translated from Dutch) (included as exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).

10.4	Form of Director Agreement (included as exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.5	Amended and Restated Oculus Innovative Sciences, Inc. 2006 Stock Incentive Plan and related form stock option plan agreements (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed May 2, 2007, and incorporated herein by reference).
10.6	Amendment to Office Lease Agreement, effective February 15, 2008, by and between Oculus Innovative Sciences Netherlands B.V. and Artikona Holding B.V. (translated from Dutch) (included as exhibit 10.44 to the Company's Annual Report on Form 10-K filed June 13, 2008, and incorporated herein by reference).
10.7	Oculus Innovative Sciences, Inc. 2011 Stock Incentive Plan (included as exhibit A in the Company's Definitive Proxy Statement on Schedule 14A filed July 29, 2011, and incorporated herein by reference).
10.8†	Exclusive Sales and Distribution Agreement, dated November 6, 2015, by and between Oculus Innovative Sciences, Inc. and Manna Pro Products, LLC (included as exhibit 10.1 to the Company's 8-K filed March 23, 2016 and incorporated herein by reference).
10.9†	Asset Purchase Agreement dated October 27, 2016, between Oculus Innovative Sciences, Inc. and Invekra, S.A.P.I de C.V. (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 31, 2016, and incorporated herein by reference).
10.10†	Amendment Agreement to Acquisition Option dated October 27, 2016, by and between More Pharma Corporation S. de R.L. de C.V. and Oculus Technologies of Mexico, S.A. de C.V. (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 31, 2016, and incorporated herein by reference).
10.11	2016 Equity Incentive Plan (included as exhibit A in the Company's Definitive Proxy Statement on Schedule 14A filed July 29, 2016, and incorporated herein by reference).
10.12	Securities Purchase Agreement entered into by and between Sonoma Pharmaceuticals, Inc. and Montreux Equity Partners V, L.P., dated March 1, 2018 (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).
10.13†	Exclusive License and Distribution Agreement entered into by and between Sonoma Pharmaceuticals, Inc. and EMS.S.A., dated June 4, 2018 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 5, 2018, and incorporated herein by reference).
10.14	Warrant Agency Agreement entered into by and among Sonoma Pharmaceuticals, Inc., Computershare, Inc. and Computershare Trust Company, N.A., dated November 21, 2018 (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 21, 2018, and incorporated herein by reference).
10.15ǂ+	Asset Purchase Agreement dated May 14, 2019, between Sonoma Pharmaceuticals, Inc. and Petagon, Ltd. (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 22, 2019, and incorporated herein by reference).
10.16ǂ+	Asset Purchase Agreement dated February 21, 2020, between Sonoma Pharmaceuticals, Inc. and MicroSafe Group, DMCC (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 27, 2020, and incorporated herein by reference.)
10.17ǂ+	License, Distribution and Supply Agreement by and between Sonoma Pharmaceuticals, Inc. and Brill International, S.L. dated May 19, 2020 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 26, 2020, and incorporated herein by reference.)
10.18	Consulting Agreement between the Company and Dr. Robert Northey, dated May 30, 2020. (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 4, 2020, and incorporated herein by reference.)
10.19ǂ+	Asset Purchase Agreement between the Company and Infinity Labs SD, Inc., dated June 24, 2020 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 30, 2020, and incorporated herein by reference.)
10.20	Boulder Lease Agreement between the Company and Westland Development Services, Inc., dated February 19, 2021. (included as exhibit 10.20 to the Company's Current Report on Form 10-Q filed on November 13, 2023, and incorporated by herein by reference.)
10.21ǂ	Licensing Agreement between Sonoma Pharmaceuticals, Inc. and MicroSafe Group, effective July 27, 2020 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 6, 2020, and incorporated herein by reference).
10.22ǂ	Licensing and Distribution Agreement between Sonoma Pharmaceuticals, Inc. and Gabriel Science, LLC, effective December 14, 2020 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 17, 2020, and incorporated herein by reference).
10.23ǂ	Exclusive Supply and Distribution Agreement between the Company and EMC Pharma, LLC, dated March 26, 2021 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 31, 2021, and incorporated herein by reference).
10.24	Amended and Restated Employment Agreement by and between the Company and Amy Trombly, dated June 16, 2023 (included as exhibit 10.38 to the Company's Current Report on Form 10-K filed on June 21, 2023, and incorporated herein by reference).
10.25	Amended and Restated Employment Agreement by and between the Company and Bruce Thornton, dated June 16, 2023 (included as exhibit 10.39 to the Company's Current Report on Form 8-K filed on June 21, 2023, and incorporated herein by reference).
10.26	At-The-Market Offering Agreement, by and between the Company and H.C. Wainwright & Co., LLC, dated July 30, 2021 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 30, 2021, and incorporated herein by reference).
10.27	2021 Equity Incentive Plan (included as appendix on the Company's proxy statement filed on July 29, 2021 and incorporated herein by reference).

10.28+ǂ	Exclusive License and Distribution Agreement between the Company and Dyamed Biotech Pte Ltd., dated November 4, 2021 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 9, 2021, and incorporated herein by reference).
10.29+ǂ	Non-Exclusive Distribution and Supply Agreement between the Company and Salus Medical, LLC dated January 19, 2022 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 20, 2022, and incorporated herein by reference).
10.30+ǂ	Exclusive License and Distribution Agreement between Sonoma Pharmaceuticals, Inc. and Anlicare International dated January 18, 2022 (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 20, 2022, and incorporated herein by reference).
10.31	At-The-Market Offering Agreement, by and between the Company and Ladenburg Thalmann & Co. Inc., dated December 23, 2022 (included as exhibit 1.1 to the Company's Current Report on Form 8-K filed on December 23, 2022, and incorporated herein by reference).
10.32	Sonoma Pharmaceuticals, Inc. Non-Employee Director Compensation Program and Stock Ownership Guidelines, revised by the Board of Directors on December 29, 2022 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 30, 2022, and incorporated herein by reference).
10.33+ǂ	Exclusive Distribution and Supply Agreement, dated January 26, 2023, by and between Sonoma Pharmaceuticals, Inc. and Daewoong Pharmaceutical Co., Ltd. (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 31, 2023, and incorporated herein by reference).
10.34	Amendment to At-The-Market Offering Agreement, by and between the Company and Ladenburg Thalmann & Co. Inc., dated February 24, 2023 (included as exhibit 1.1 to the Company's Current Report on Form 8-K filed on February 24, 2023, and incorporated herein by reference).
10.35	Consulting Agreement, by and between the Company and Jerome Dvonch, dated April 7, 2023 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 13, 2023, and incorporated herein by reference).
10.36	Offer letter to John Dal Poggetto dated July 11, 2023 (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 14, 2023, and incorporated herein by reference).
10.37	Consulting Agreement, by and between the Company and Jerome Dvonch Consulting, LLC, effective August 15, 2023 (included as exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 14, 2023, and incorporated herein by reference).
10.38	First Amendment to the Lease between the Company and Westland Development Services, Inc, dated June 21, 2023.
10.39	Equity Distribution Agreement, by and between Sonoma Pharmaceuticals, Inc. and Maxim Group LLC., dated December 15, 2023 (included as exhibit 1.1 to the Company's Current Report on Form 8-K filed on December 15, 2023, and incorporated herein by reference).
10.40ǂ+	License and Distribution Agreement, dated January 5, 2024, by and between Sonoma Pharmaceuticals, Inc. and NovaBay Pharmaceuticals, Inc. (included as exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 9, 2024, and incorporated herein by reference).
10.41*	Offer letter to Jerome Dvonch dated February 7, 2024.
10.42*	Offer letter to John Dal Poggetto dated February 7, 2024.
14.1	Code of Business Conduct (included as Exhibit 14.1 to the Company's Current Report on Form 8-K filed on January 23, 2017, and incorporated herein by reference).
21.1	List of Subsidiaries (included as Exhibit 21.1 to the Company's Annual Report on Form 10-K on June 28, 2017, and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 (formatted in inline XBRL, and included in exhibit 101).

* Filed herewith.

† Confidential treatment has been granted with respect to certain portions of this agreement.

ǂ Certain portions of the exhibit have been omitted to preserve the confidentiality of such information. The Company will furnish copies of any such information to the SEC upon request.

\+ The schedules to the exhibit have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish copies of any such schedules to the SEC upon request.

Copies of above exhibits not contained herein are available to any stockholder, upon payment of a reasonable per page fee, upon written request to: Chief Financial Officer, Sonoma Pharmaceuticals, Inc., 5445 Conestoga Court, Suite 150, Boulder, Colorado 80301.

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.

Date: February 8, 2024

By: /s/ Amy Trombly
Amy Trombly
President and Chief Executive Officer, (Principal Executive Officer)

Date: February 8, 2024

By: /s/ Jerome Dvonch
Jerome Dvonch
Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Exhibit 10.41

February 7, 2024

Jerome Dvonch

Re: Offer of Employment as Chief Financial Officer
Sonoma Pharmaceuticals, Inc.

Dear Jerry,

Sonoma Pharmaceuticals, Inc. (hereinafter the "Company") is pleased to offer you the position of Chief Financial Officer effective February 7, 2024. You will be appointed to the position by the Board of Directors and you will report directly to Amy Trombly, Chief Executive Officer. This is a remote position with the exception of occasional travel to the Boulder office. The purpose of this letter is to outline the terms of your employment. Your signature in the space provided at the end of this letter indicates that you accept our offer of employment on these terms.

Compensation: You will be paid an annual salary of $240,000.00 ($9230.77 bi-weekly). You are eligible for a bonus up to 50% of your annual salary, prorated the first year based on a fiscal year end of March 31 and dependent upon meeting specified performance goals. You will be eligible for equity grants within the normal employee equity programs.

This position is classified as full-time and exempt from overtime. Paydays are every other Friday. Your paycheck covers the two-week period prior to and through payday.

Vacation: You will be entitled to four (4) weeks of vacation accrual per year, pursuant to the Company's vacation accrual policy. You may take accrued vacation after accruing at least eight hours of vacation time.

Benefits: You will be eligible to participate in the Company's medical, dental, vision and retirement (401K) plans. We may, in our discretion, cancel or modify any of our employee benefits plans, including those described above, at any time.

Employment At-Will: Employment with the Company is not for a specific term and can be terminated by you or by the Company at any time for any reason, with or without cause. Any contrary representations or agreements or any other written or oral agreement which may have been made or which may be made to you are superseded by this offer.

Confidential and Proprietary Information: The Company expects that you work all your business hours exclusively for the Company, and that you will not directly or indirectly engage in any other employment, consulting or business activity elsewhere without prior written authorization from the Company. This policy is further detailed in the Confidential Information and Invention Assignment Agreement. Among other prohibitions, you may not use the Company's confidential information to benefit a prospective or subsequent employer. Furthermore, you may not use the Company's confidential information to solicit or hire any employee, consultant, independent contractor, customer or supplier of the Company to change or terminate his, her or its relationship with the Company, or otherwise to become an employee, consultant, independent contractor of customer to, for, or of any other person or business entity.

The Company has a firm policy against its employees using any trade secrets or other proprietary information of third parties or previous employers in the course of performing their duties for the Company. This policy is set forth in a certain separate agreement entitled Confidential Information and Invention Assignment Agreement. During your employment with the Company, you may not disclose to the Company or use, or induce the Company to use, any trade secrets or other proprietary information of others, including your prior employers. By accepting employment with the Company, you agree that you will not, in the performance of your duties at the company, utilize or disclose any proprietary information of former employers and that you will take with you no tangible items such as drawings or reports when you leave your current employer. In addition, you acknowledge that you are not restricted from entering into an employment relationship with the Company by virtue of any pre-existing agreement with another employer.

5445 Conestoga Court
Suite 150
Boulder, Colorado 80301
sonomapharma.com
NASDAQ: SNOA

Indemnification. To the full extent allowed by law, the Company shall hold harmless and indemnify you, your executors, administrators or assigns, against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by you (net of any related insurance proceeds or other amounts received by you or paid by or on behalf of the Company on your behalf in compensation of such judgments, penalties, fines, settlements or expenses) in connection with any threatened, actual or completed action, suit or proceeding, whether civil, criminal, arbitral, administrative or investigative, or any appeal in such action, suit or proceeding, to which you are, were or are threatened to be made a named defendant or respondent (a "Proceeding"), because of your employment by the Company, or is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary (an "Affiliate Employee") of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (each, a "Company Affiliate"). You shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its employees.

Voluntary Execution of Agreement. This offer letter sets forth the entire agreement between you and the Company concerning your employment and neither you nor the Company shall be bound by any condition or understanding with respect to your employment other than is expressly provided in this letter. This offer can only be amended in writing, signed by the Company and you. The Agreement is subject to Georgia law and is executed voluntarily and without any duress or undue influence on the part or behalf of the parties hereto.

We look forward to your continued leadership, knowledge and talent contributing to the success of the Company. Please indicate your acceptance of this offer by signing below at your earliest convenience.

Sincerely,

/s/ Amy Trombly
Amy Trombly
CEO
Sonoma Pharmaceuticals, Inc.

Agreed and accepted:

/s/ Jerome Dvonch Date: 2/8/2024
Jerome Dvonch

Exhibit 10.42

February 7, 2024

John Dal Poggetto

Re: Offer of Full-Time Employment
Sonoma Pharmaceuticals, Inc.

Dear John,

Sonoma Pharmaceuticals, Inc. (hereinafter the "Company") is converting your position to full-time employee effective this pay period. You will retain the title of Controller and you will report directly to Jerry Dvonch, Chief Financial Officer. This is a remote position with the exception of occasional travel to the Boulder office. The purpose of this letter is to outline the terms of your employment. Your signature in the space provided at the end of this letter indicates that you accept our offer of employment on these terms.

Compensation: You will be paid an annual salary of $200,000. You are eligible for a bonus up to 20% of your annual salary, prorated the first year based on a fiscal year end of March 31 and dependent upon meeting specified performance goals. You will be eligible for equity grants within the normal employee equity programs.

This position is classified as full-time and exempt from overtime. Paydays are every other Friday. Your paycheck covers the two-week period ending the Friday prior to payday.

Vacation: You will be entitled to three (3) weeks of vacation accrual per year, pursuant to the Company's vacation accrual policy.

Benefits: For as long as you receive health continuation coverage under COBRA, the Company will continue to reimburse you for the monthly premiums paid by you for yourself and your eligible dependents. After such time, you will be eligible to participate in the Company's medical, dental, vision and retirement (401K) plans. We may, in our discretion, cancel or modify any of our employee benefits plans, including those described above, at any time.

Employment At-Will: Employment with the Company is not for a specific term and can be terminated by you or by the Company at any time for any reason, with or without cause. Any contrary representations or agreements or any other written or oral agreement which may have been made or which may be made to you are superseded by this offer.

Confidential and Proprietary Information: The Company expects that you work all your business hours exclusively for the Company, and that you will not directly or indirectly engage in any other employment, consulting or business activity elsewhere without prior written authorization from the Company. This policy is further detailed in the Confidential Information and Invention Assignment Agreement. Among other prohibitions, you may not use the Company's confidential information to benefit a prospective or subsequent employer. Furthermore, you may not use the Company's confidential information to solicit or hire any employee, consultant, independent contractor, customer or supplier of the Company to change or terminate his, her or its relationship with the Company, or otherwise to become an employee, consultant, independent contractor of customer to, for, or of any other person or business entity.

The Company has a firm policy against its employees using any trade secrets or other proprietary information of third parties or previous employers in the course of performing their duties for the Company. This policy is set forth in a certain separate agreement entitled Confidential Information and Invention Assignment Agreement, a copy of which is attached for your signature. During your employment with the Company, you may not disclose to the Company or use, or induce the Company to use, any trade secrets or other proprietary information of others, including your prior employers. By accepting employment with the Company, you agree that you will not, in the performance of your duties at the company, utilize or disclose any proprietary information of former employers or other clients and that you will take with you no tangible items such as drawings or reports from other employers or clients. In addition, you acknowledge that you are not restricted from entering into an employment relationship with the Company by virtue of any pre-existing agreement with another employer.

5445 Conestoga Ct Suite 150
Boulder, CO 80301
Phone: +1 800-759-9305
Fax: +1 (707) 283-0551
sonomapharma.com
NASDAQ: SNOA

Indemnification. To the full extent allowed by law, the Company shall hold harmless and indemnify you, your executors, administrators or assigns, against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by you (net of any related insurance proceeds or other amounts received by you or paid by or on behalf of the Company on your behalf in compensation of such judgments, penalties, fines, settlements or expenses) in connection with any threatened, actual or completed action, suit or proceeding, whether civil, criminal, arbitral, administrative or investigative, or any appeal in such action, suit or proceeding, to which you are, were or are threatened to be made a named defendant or respondent (a "Proceeding"), because of your employment by the Company, or is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary (an "Affiliate Employee") of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (each, a "Company Affiliate"). You shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its employees.

Voluntary Execution of Agreement. This offer letter sets forth the entire agreement between you and the Company concerning your employment and neither you nor the Company shall be bound by any condition or understanding with respect to your employment other than is expressly provided in this letter. This offer can only be amended in writing, signed by the Company and you. The Agreement is subject to California law and is executed voluntarily and without any duress or undue influence on the part or behalf of the parties hereto.

We look forward to your continued leadership, knowledge and talent contributing to the success of the Company, John. Please indicate your acceptance of this offer by signing below at your earliest convenience.

Sincerely,

/s/ Amy Trombly
Amy Trombly
CEO
Sonoma Pharmaceuticals, Inc.

Agreed and accepted:

/s/ John Dal Poggetto Date: 2/8/2024
John Dal Poggetto

5445 Conestoga Ct Suite 150
Boulder, CO 80301
Phone: +1 800-759-9305
Fax: +1 (707) 283-0551
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NASDAQ: SNOA

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Amy Trombly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonoma Pharmaceuticals, Inc. for the quarter ended December 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Amy Trombly
Amy Trombly
Chief Executive Officer
(Principal Executive Officer)

Date: February 8, 2024

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Jerome Dvonch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonoma Pharmaceuticals, Inc. for the quarter ended December 31, 2023;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jerome Dvonch
Jerome Dvonch
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: February 8, 2024

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officers of Sonoma Pharmaceuticals, Inc., a Delaware corporation (the "Company"), do hereby certify, to such officers' knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2024

By: /s/ Amy Trombly
Amy Trombly
Chief Executive Officer
(Principal Executive Officer)

Date: February 8, 2024

By: /s/ Jerome Dvonch
Jerome Dvonch
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)