

# PhoneX Holdings, Inc.

A Delaware Corporation

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Charlotte, NC 28203  
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SIC Code: 7200

## Quarterly Report

**For the Period Ending:** March 31, 2025  
(The "Reporting Period")

The number of shares outstanding of our Common Stock was 35,683,992 as of May 15, 2025

The number of shares outstanding of our Common Stock was 35,683,992 as of March 31, 2025

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:  (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### **Change of Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer and any names used by predecessor entities along with the dates of the name changes.

PhoneX Holdings, Inc.	05/07/2019 to present
uSell.com, Inc.	07/23/2012 to 5/06/2019
Upstream Worldwide, Inc.	06/11/2010 to 07/22/2012
Money4Gold Holding, Inc.	05/23/2008 to 06/10/2010
Effective Profitable Software, Inc.	05/10/2005 to 05/22/2008
Modena 2, Inc.	11/18/2003 to 05/09/2005

Current State and Date of Incorporation or Registration: Incorporated on November 18, 2003 in the State of Delaware  
Standing in this jurisdiction: Active

Prior Incorporation Information for the issuer and any predecessors during the past five years: None

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: - N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: - N/A

The address(es) of the issuer's principal executive office:

1422 S. Tryon Street, Suite 02-123  
Charlotte, NC 28203

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:  No:  If Yes, provide additional details below: -N/A

**2) Security Information**

**Transfer Agent**

Name: Equity Stock Transfer, LLC  
Phone: (212) 575-5757  
Email: nora@equitystock.com  
Address: 237 W 37<sup>th</sup> Ave, Suite 602  
New York, NY 10018

**Publicly Quoted or Traded Securities:**

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	PXHI
Exact title and class of securities outstanding:	Common Stock
CUSIP:	71922R106
Par or stated value:	\$0.0001 par value per share
Total shares authorized:	60,000,000 shares of Common Stock as of date: 5/15/2025

Total shares outstanding: 35,683,992 shares of Common Stock as of date: 5/15/2025  
Total number of shareholders of record: 106 as of date: 3/31/2025

Please provide the above referenced information for all other classes of authorized or outstanding equity securities: N/A

**Other classes of authorized or outstanding equity securities:**

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Please provide the above referenced information for all other classes of authorized or outstanding equity securities:

Trading symbol: N/A  
Exact title and class of securities outstanding: Preferred Shares  
CUSIP: N/A  
Par or stated value: \$0.0001 par value per share  
Total shares authorized: 5,000,000  
Total shares outstanding: 0  
Total number of shareholders of record: N/A

**Security Description:**

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the Company. Please provide the below information for each class of the Company's equity securities, as applicable:

**1. For common equity, describe any dividend, voting and preemption rights.**

Each outstanding share of common stock is entitled to one vote at all meetings of shareholders, is entitled to dividends if and when declared by the board of directors and has no preemptive rights.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

N/A – no preferred shares issued or outstanding

**3. Describe any other material rights of common or preferred stockholders.**

N/A

**4. Describe any material modifications to rights of holders of the Company's securities that have occurred over the reporting period covered by this report.**

N/A

**3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

**A. Changes to the Number of Outstanding Shares**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding		Opening Balance:							
Date 01/01/2023		Common: 36,668,606 Preferred: 0		*Right-click the rows below and select "Insert" to add rows as needed.					
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to  ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
<u>01/2023</u>	<u>Stock Purchase</u>	<u>(533,702)</u>	<u>Common</u>	<u>\$1.15</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Agreement</u>		
<u>06/2023</u>	<u>Stock Purchase</u>	<u>(80,000)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>11/30/2023</u>	<u>Stock Purchase</u>	<u>(13,000)</u>	<u>Common</u>	<u>\$1.10</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>12/4/2023</u>	<u>Stock Purchase</u>	<u>(12,000)</u>	<u>Common</u>	<u>\$1.10</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>12/01/2023</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common</u>	<u>\$0.04</u>	<u>No</u>	<u>See below</u>	<u>Employee stock plan</u>		
<u>01/16/2024</u>	<u>Stock Purchase</u>	<u>(79,531)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>01/30/2024</u>	<u>Stock Purchase</u>	<u>(100,000)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>02/01/2024</u>	<u>Stock Purchase</u>	<u>(74,471)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>04/11/2024</u>	<u>Stock Purchase</u>	<u>(153,334)</u>	<u>Common</u>	<u>\$ .80</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>07/15/2024</u>	<u>Stock Purchase</u>	<u>(79,940)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>08/31/2024</u>	<u>Stock Purchase</u>	<u>(1,253)</u>	<u>Common</u>	<u>\$1.09</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>10/07/2024</u>	<u>Stock Issuance</u>	<u>42,617</u>	<u>Common</u>			<u>See below</u>	<u>Employee Stock Plan</u>		

Shares Outstanding on Date of This Report:	
	<u>Ending Balance:</u>
Date 05/15/2025	Common: 35,683,992 Preferred: 0

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

**\*\*\* Control persons for any entities in the table must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

The Issuance Report reflects names, dates, number of shares, the value and what is restricted. All issuances were new issuances of common stock and were exempt from registration under Section 4(a)(2) and Rule 506 thereunder. The reasons for issuance are as follows:

- In January 2023, the Company purchased 533,702 shares of its common stock from 3 related shareholders for a purchase price of \$613,757.
- In June 2023, the Company purchased 80,000 shares of its common stock for a purchase price of \$80,000.
- In November 2023, the Company purchased 13,000 shares of its common stock for a purchase price of \$14,300.
- In December 2023, the Company purchased 12,000 shares of its common stock for a purchase price of \$13,200.
- In December 2023, the Company issued 100,000 shares to employees as part of its employee stock plan for an average exercise price of \$0.04
- In January 2024, the Company purchased 79,531 shares of its common stock for a purchase price of \$79,531.
- In January 2024, the Company purchased 100,000 shares of its common stock for a purchase price of \$100,000.
- In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of \$74,471.
- In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.
- In July 2024, the Company purchased 79,940 shares of its common stock for a purchase price of \$79,940.
- In August 2024, the Company purchased 1.253 shares of its common stock for a purchase price of \$1,365.
- In October 2024, the Company issued 42,617 shares of its common stock to an employee as part of its employee stock plan.

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)

**\*\*\* Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

#### 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

PhoneX Holdings, Inc. is building a dominant cloud-based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. The Company has historically operated two distinct business models: 1) a Proprietary Trading Model, through which it purchased devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) a Platform Partnership Model, through which it enabled its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX has enabled mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand. In February 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC to a third-party buyer. On March 24, 2025, the Company's shareholders approved the transaction at a Special Meeting of the shareholders - such approval was a condition precedent to the transaction closing. The transaction closed on April 1, 2025. Moving forward, PhoneX Holdings' primary focus will be on scaling its Platform Partnership business under the PhoneX, Inc. brand. PhoneX Holdings holds a minority interest in We Sell Cellular, which is subject to an option to purchase such minority interest in favor of the purchaser under the transaction. For more information on the transaction and certain matters relating thereto, see the Company's Supplemental Information Report uploaded to OTC Markets on February 12, 2025, and the Proxy Statement uploaded to OTC Markets on February 26, 2025. The Proxy Statement includes Pro Forma Financial Information which provides certain additional information on the financial condition and operations of the Company prior to and following the transaction. The closing of the transaction remains subject to the satisfaction of certain closing conditions which are outlined in the Proxy Statement.

#### **2025 Financial Highlights**

Key financial metrics are as follows:

- Revenues from continuing operations increased by \$27,000, or 1.7%, to \$1,596,000 for the quarter ended March 31, 2025, from \$1,569,000 for the quarter ended March 31, 2024.
- Gross profit from continuing operations increased by \$65,000, or 5.7%, to \$1,207,000 for the quarter ended March 31, 2025, from \$1,142,000 for the quarter ended March 31, 2024.
- Operating income from continuing operations increased by \$257,000 to \$106,000 for the quarter ended March 31, 2025, from a loss of \$151,000 for the quarter ended March 31, 2024.
- Net income from continuing operations increased by \$224,000 to \$105,000 for the quarter ended March 31, 2025, from a loss of \$119,000 for the quarter ended March 31, 2024.
- Net income (including net income from discontinued operations, net of tax) decreased by \$321,000, or 28.2%, to \$819,000 for the quarter ended March 31, 2025 from \$1,140,000 for the quarter ended March 31, 2024.

The challenges experienced by the industry in 2024 bled into the early part of Q1 2025, and the Company initially experienced a reduction in both revenue and margins. Global uncertainty given the changing tariff landscape also caused challenges early in the quarter, as many buyers took a "wait and see" approach to purchasing. However, as the quarter progressed, trade in volume strengthened and margins stabilized. While we are not certain of the cause for the increase in trade in volume, management believes that it was partly driven by an increase in iPhone sales as consumers rushed to purchase iPhones prior to tariffs taking effect. Whether driven by this or other factors, conditions improved throughout the quarter, and these more favorable conditions have continued into Q2.

On April 1, we executed a definitive agreement with a third-party buyer to sell 79.5% of the We Sell Cellular LLC business for \$47.7M. Management believes that this deal has not only provided significant value to shareholders, but will also enable We Sell Cellular to scale while we focus on our Platform Partnership business through PhoneX inc. We will continue to act as a strategic partner to We Sell Cellular, in which we will continue to retain a 20.5% stake. As part of the transaction, PhoneX will receive certain distributions based on We Sell Cellular LLC's operating performance. The buyer has the option to purchase our remaining interest in We Sell Cellular LLC for \$12.3 million at any time prior to April 1, 2028.

In addition to the divestiture of the majority of our stake in We Sell Cellular, LLC, the Company continued to generate meaningful software revenue via licensing agreements effected through its PhoneX, Inc. subsidiary. We are optimistic about our efforts to

diversify and grow our licensing revenue streams, as we launched several programs with new large clients in 2024, and plan to expand these programs during 2025. In addition, the Company's PhoneX Connect product, which enables smaller resellers to connect to and pre-sell inventory of larger suppliers, has proven highly effective. PhoneX Connect enables larger suppliers, like We Sell Cellular, to expand distribution while enabling smaller resellers to grow without substantial investment in inventory. During 2025 we intend to scale PhoneX Connect with our large customers, while adding additional suppliers to the network.

In light of our goal to transform into a scalable technology company generating high-margin, recurring revenues, we will continue to focus on growing licensing revenue related to our Platform Partnership business while investing in long-term growth. The Company will invest in technologies that enhance multi-tenancy, internationalization, high-availability, and scalability. All of our initiatives are geared toward increasing the long-term value of our enterprise. We have made substantial progress in our machine learning initiatives which seek to develop algorithms to assist our customers in making intelligent pricing decisions. These algorithms are being utilized by our clients in their production environments and are proving to drive significant improvements when compared with human-driven decision making. Furthermore, we plan to introduce an industry-specific Warehouse Management software offering that will integrate seamlessly with our existing products. This product will enable clients to dynamically route inventory through their processing, polishing, and repair operations, enabling them to maximize value and collect data at every step of the reverse-manufacturing process. We believe that there are hundreds of potential clients for this product in the mobile device industry alone. We also believe that the problems solved by our WMS apply to remanufacturing businesses in other industries. In addition to our software offerings, we will continue to develop IP in the area of screen polishing and other areas that enable our clients to extract more value from their devices. We have created a new entity, PhoneX Labs, which will license this new technology to both We Sell Cellular and other industry participants. While there is no guarantee that this endeavor will be successful, it has the potential to result in a high margin revenue stream for the Company.

The success of any of the above endeavors hinges on the Company's ability to successfully market and distribute its cloud-based software and other technology offerings. While we have developed a substantial pipeline of significant industry participants, no assurance can be given that PhoneX will successfully capitalize on these opportunities.

### **Cautionary Note Regarding Forward Looking Statements**

This report contains forward-looking statements, including statements regarding the sale of We Sell Cellular and the perceived benefits of such transaction for the Company and its shareholders, our future operations, business focus and strategic alliances following such transaction, expectations, plans and prospects for the Company's Proprietary Trading business including based on recent and anticipated industry trends, our ability to enhance our competitive edge, our ability to generate meaningful software revenue and future growth including through our PhoneX Connect product and our PhoneX Labs subsidiary, and anticipated trends or expectations for our consumer volume, supplier network and operating results and profitability. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include the risks arising from contractual issues which may arise and events that may occur following the sale of We Sell Cellular, the impact from any major war including expansion of the war in Israel and the war in Ukraine, and their effect on the economy, any downturn in the United States and global economies and any failure to reduce interest rates to avoid a recession or other adverse consequences, the continued demand for our PhoneX SaaS and PhoneX Labs businesses, our ability to procure higher volumes of devices at favorable prices, risks related to customer concentration and our reliance on a relatively small number of third parties for certain aspects of our operations and operating results, any possible impact following the change in U.S. presidential administration and policies resulting therefrom including the imposition of tariffs by the U.S. and foreign countries which could adversely affect our operations and margins (as well as those of our customers) and/or contribute to further inflation and economic decline, the continued demand for mobile devices and infrastructure and software offerings on which our business focuses and depends which may, among other factors, be negatively affected by a recession and is dependent on mobile phone manufacturers and other third parties which are beyond our control, software bugs that adversely affect our future business, the possibility that our efforts to grow our business and the perceived benefits of these efforts do not come to fruition, including due to inaccurate or incomplete assumptions, expectations or estimates on which our growth strategies are based and despite the potential deployment of substantial capital and other resources towards such efforts, which may, among other things, be adversely impacted by the risks and contingencies outlined elsewhere in this report, and our ability to continue to effectively

navigate challenges posed by the complex industries we serve including the potential for rapid and unpredictable technological change, regulatory burdens and an intense competitive environment. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

B. List any subsidiaries, parent company, or affiliated companies.

As of Q1 2025, The Company had three subsidiaries which are We Sell Cellular, LLC., PhoneX, Inc. and PhoneX Labs LLC. The officers of the subsidiaries were the same as those of the issuer. In February, 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC. The transaction closed on April 1, 2025. Moving forward, We Sell Cellular, LLC. will no longer be a subsidiary. It will be an affiliated entity in which the Company owns a 20.5% interest.

C. Describe the issuers' principal products or services.

To date, PhoneX Holdings has operated two distinct business models. The first is characterized by a Proprietary Trading Model, through which the Company purchased devices via its wholly owned subsidiary, We Sell Cellular LLC, which was acquired in 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy pre-owned smartphones that have been traded in with the major carriers and the big box retailers, fully inspect and grade these devices, and then sell these devices wholesale and retail to a global customer base. These customers include brick and mortar retailers, online retailers, large and small wholesalers, small repair shops, and large refurbishing providers. Approximately 50% of We Sell Cellular's customer base is in the United States, with the balance abroad. In February, 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC. The transaction closed on April 1, 2025. Moving forward, PhoneX Holdings will primarily focus on scaling its Platform Partnership business, described further below.

PhoneX Holdings' second operating model is characterized by a Platform Partnership Model, through which it licenses its software via its wholly owned subsidiary, PhoneX, Inc. PhoneX has developed a cloud based, software solution that enables large and small distributors of mobile devices to sell inventory online and automate many of the processes associated with selling mobile devices in bulk. By licensing PhoneX's software as a service, distributors can increase sales prices and sales velocity, while getting access to PhoneX's analytics and pricing engine. To date, PhoneX has licensed its software to We Sell Cellular LLC through an intercompany agreement. Moving forward, We Sell Cellular will continue to license the software as an arms length customer.

The Company hopes to add additional licensing revenue streams in the future through the establishment of PhoneX Labs, which will invest in hardware and physical infrastructure to improve the process of testing, grading, and remanufacturing pre-owned mobile devices.

## Revenue Model

To date, PhoneX Holdings has generated revenue by either taking possession of devices and selling these devices for a premium ("Principal Device Revenue") or by licensing its software and other technologies as a service to third parties ("Licensing Revenue"). Under its PhoneX, Inc. licensing agreements, the Company also earns revenue for providing integration services ("Services Revenue").

Business derived from its PhoneX Inc. licensing agreements generates not only Licensing Revenue but also Services Revenue, as PhoneX Inc. may provide integration services to new partners during an initial integration period. To date, devices sourced wholesale through PhoneX Holdings' subsidiary, We Sell Cellular, have been bought and sold using the Principal Device Revenue model. Moving forward, given the sale of 79.5% of its interest in We Sell Cellular, LLC, the Company will focus on scaling its Licensing Revenue through PhoneX Inc. It will no longer recognize revenue through its Principal Device Revenue model but will instead receive certain distributions based on the operating performance of We Sell Cellular, LLC.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

To date, the Company's warehouse has been located in Edgewood New York, where it leased approximately 23,000 square feet of warehouse and office space. The Company's computer servers have been hosted by large third parties specializing in providing such services.

Since the sale of 79.5% of its interest in We Sell Cellular, LLC, the Company has shifted its headquarters to Charlotte, NC. The lease obligation and related accounting impact for recording the lease associated with the Company's warehouse will be reflected in the Company's 20.5% investment interest in We Sell Cellular, LLC.

As of Q2 2025, the Company had three subsidiaries which were We Sell Cellular, LLC., PhoneX, Inc. and PhoneX Labs LLC. The officers of the subsidiaries were the same as those of the issuer.

## 6) All Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

*The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.*

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Nikhil Raman	Chief Executive Officer, Director	Brooklyn, New York	6,004,218	Common	16.8%	
Scott Tepfer	Executive Vice President, Director	Edgewood, New York	3,000,000	Common	8.4%	
Robert Averick(1)(2)	Director	Delray Beach Florida	13,766,666	Common	38.5%	
Piton Capital Partners LLC (1)	5% owner	Stamford, Connecticut	12,482,666	Common	35.0%	
Gerald Unterman	5% owner	New York, New York	5,091,016	Common	14.3%	
Ballista Holdings LLC (3)	5% owner	Boca Raton, FL	1,978,842	Common	5.5%	

- 1) Mr. Robert Averick shares the power to vote and dispose of the shares beneficially owned by Piton Capital Partners, LLC. The address is listed as 201 Tresser Blvd., 3<sup>rd</sup> floor, Stamford, CT.
- 2) Mr. Averick's shares also include 850,000 shares owned by two entities over which he shares the power to vote and sell, and 399,000 shares he holds individually. Mr. Averick's beneficial ownership gives effect to shares issuable upon exercise of 35,000 vested options awarded.
- 3) The manager of Ballista Holdings LLC is listed as Jan Carlsson with an address of 1905 NW Corporate Blvd., Suite 300, Boca Raton, FL.

## 7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None.

## 8) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Michael D. Harris, Esq.  
Firm: Nason, Yeager, Gerson, Harris & Fumero, P.A.  
Address 1: 3001 PGA Boulevard Suite 305  
Address 2: Palm Beach Gardens, FL 33410  
Phone: Direct: 561-471-3507  
Email: mharris@nasonyeager.com

Accountant or Auditor

Name: Kieron M. Ludde  
Firm: Hill, Barth & King LLC  
Address 1: 48 South Service Road, Suite 310  
Address 2: Melville, NY 11747  
Phone: (516) 822-5000  
Email: KLudde@hbkcpa.com

Investor Relations Consultant – N/A

*All other means of Investor Communication:*

X (Twitter): None  
Discord: None  
LinkedIn: None  
Facebook: None  
Other: None

Other Service Providers - N/A

Provide the name of any other service provider(s), **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

**9) Disclosure & Financial Information**

A. This Disclosure Statement was prepared by (name of individual):

Name: Yasemin Kaya  
Title: Controller  
Relationship to Issuer: Controller

B. The following financial statements were prepared in accordance with:

U.S. GAAP  
 IFRS

C. The financial statements for this reporting period were prepared by (name of individual)<sup>2</sup>:

Name: Nikhil Raman  
Title: CEO/CFO  
Relationship to Issuer: Officer

Describe the qualifications of the person or persons who prepared the financial statements: Our CEO/CFO has been involved with our Company for over 5 years and holds an M.B.A from Harvard University.

---

<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

Provide the following qualifying financial statements:

- a. Audit letter, if audited;
- b. Balance sheet;
- c. Statement of income;
- d. Statement of cash flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial notes

**10) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly or Annual Report.

The certifications shall follow the format below:

I, Nikhil Raman certify that:

- 1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending March 31, 2025;
- 2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
- 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

05/15/2025

/s/ Nikhil Raman

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Nikhil Raman certify that:

- 1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending March 31, 2025;
- 2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
- 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

05/15/2025

/s/ Nikhil Raman

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**PHONEX HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**March 31, 2025 AND 2024**

## Index to Consolidated Financial Statements

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**PhoneX Holdings, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	<b>March 31</b>	<b>December 31</b>
	<u><b>2025</b></u>	<u><b>2024</b></u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 12,046,173	\$ 11,009,427
Accounts receivable, net	1,042,095	993,224
Prepaid expenses and other current assets	162,414	38,463
Assets classified as held for sale	<u>12,152,422</u>	<u>13,968,515</u>
<b>Total Current Assets</b>	<b><u>25,403,104</u></b>	<b><u>26,009,629</u></b>
Property and equipment, net	2,349	3,441
Deferred Tax Asset Non-Current (net)	2,057,000	2,057,000
Other assets	<u>5,775</u>	<u>5,775</u>
<b>Total Assets</b>	<b><u>\$ 27,468,228</u></b>	<b><u>\$ 28,075,845</u></b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 211,063	\$ 207,923
Accrued expenses	455,793	210,713
Deferred revenue	5,853	5,853
Liabilities directly associated with assets classified as held for sale	<u>1,728,677</u>	<u>3,453,220</u>
<b>Total Current Liabilities</b>	<b><u>2,401,386</u></b>	<b><u>3,877,709</u></b>
<b>Total Liabilities</b>	<b><u>2,401,386</u></b>	<b><u>3,877,709</u></b>
<b>Stockholders' Equity:</b>		
Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; \$0.0001 par value; 60,000,000 shares authorized; 35,683,992 shares and 35,683,992 issued and outstanding, respectively	3,576	3,576
Treasury Stock	(7)	(7)
Additional paid-in capital	72,562,323	72,512,809
Accumulated deficit	<u>(47,499,050)</u>	<u>(48,318,242)</u>
<b>Total Stockholders' Equity</b>	<b><u>25,066,842</u></b>	<b><u>24,198,136</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 27,468,228</u></b>	<b><u>\$ 28,075,845</u></b>

See accompanying notes to consolidated financial statements.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenue	\$ 1,595,965	\$ 1,569,209
Cost of Revenue	<u>388,797</u>	<u>426,722</u>
<b>Gross Profit</b>	<u>1,207,168</u>	<u>1,142,487</u>
Operating Expenses:		
Sales and marketing	20,478	33,736
General and administrative	<u>1,080,798</u>	<u>1,259,673</u>
Total operating expenses	<u>1,101,276</u>	<u>1,293,409</u>
<b>Income (Loss) from continuing operations</b>	<u>105,892</u>	<u>(150,922)</u>
Other Expense:		
Interest income	31,817	31,302
<b>Total Other (Expense) Income, Net</b>	<u>31,817</u>	<u>31,302</u>
<b>Income (Loss) before income tax expense</b>	137,709	(119,620)
Income tax expense (benefit)	<u>(33,050)</u>	<u>--</u>
<b>Net income (loss) from continuing operations</b>	<u>104,659</u>	<u>(119,620)</u>
<b>Net income from discontinued operations, net of tax</b>	<u>714,533</u>	<u>1,259,924</u>
<b>Net Income</b>	<u><u>\$ 819,192</u></u>	<u><u>\$ 1,140,304</u></u>
<b>Basic and Diluted Income per Common Share:</b>		
Net income (loss) per common share – basic from continuing operations	\$ 0.00	\$ (0.00)
Net income per common share – basic from discontinued operations, net of tax	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Total Net income per common share – basic	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.03</u></u>
Net income per common share – diluted from continuing operations	\$ 0.00	\$ (0.00)
Net income per common share – diluted from discontinued operations, net of tax	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Total Net income per common share - diluted	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.03</u></u>
<b>Weighted average number of common shares outstanding during the period – basic</b>	<u><u>35,683,992</u></u>	<u><u>36,014,736</u></u>
<b>Weighted average number of common shares outstanding during the period – diluted</b>	<u><u>36,192,677</u></u>	<u><u>36,618,452</u></u>

See accompanying notes to consolidated financial statements.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**(unaudited)**

**Three months Ended March 31, 2025**

	Common Stock,				Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	\$0.0001 Par Value		Treasury Stock				
	Shares	Amount	Shares	Amount			
<b>Balance, January 1, 2025</b>	<u>35,756,453</u>	<u>\$3,576</u>	<u>(72,461)</u>	<u>\$(7)</u>	<u>\$72,512,809</u>	<u>\$(48,318,242)</u>	<u>\$24,198,136</u>
Stock based compensation				49,514			49,514
Net Income						819,192	819,192
<b>Balance, March 31, 2025</b>	<u>35,756,453</u>	<u>\$3,576</u>	<u>(72,461)</u>	<u>\$(7)</u>	<u>\$72,562,323</u>	<u>\$(47,499,050)</u>	<u>\$25,066,842</u>

**Three months Ended March 31, 2024**

	Common Stock,				Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	\$0.0001 Par Value		Treasury Stock				
	Shares	Amount	Shares	Amount			
<b>Balance, January 1, 2024</b>	<u>36,201,112</u>	<u>\$3,620</u>	<u>(71,208)</u>	<u>\$(7)</u>	<u>\$72,706,859</u>	<u>\$(51,851,834)</u>	<u>\$20,858,638</u>
Stock based compensation				77,856			77,856
Repurchase and retirement of common stock	(254,002)	(25)			(253,977)		(254,002)
Net Income						1,140,304	1,140,304
<b>Balance, March 31, 2024</b>	<u>35,947,110</u>	<u>\$3,595</u>	<u>(71,208)</u>	<u>\$(7)</u>	<u>\$72,530,738</u>	<u>\$(50,711,530)</u>	<u>\$21,822,796</u>

See accompanying notes to consolidated financial statements.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 104,659	\$ (119,620)
Net income from discontinued operations	714,533	1,259,924
Net income	819,192	1,104,304
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	1,093	2,467
Stock based compensation	49,514	77,856
Changes in operating assets and liabilities:		
Accounts receivable	(48,871)	458,210
Prepaid expenses and other current assets	(123,951)	(123,369)
Accounts payable	3,140	100,374
Accrued expenses	245,080	379,088
Net cash provided by (used in) discontinued operations	814,171	(601,733)
<b>Net Cash and Cash Equivalents (Used In) Provided By Operating Activities</b>	<b>1,044,835</b>	<b>173,273</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash used by discontinued operations	(8,089)	(49,672)
<b>Net Cash and Cash Equivalents Used In Investing Activities</b>	<b>(8,089)</b>	<b>(49,672)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment for repurchase and retirement of common stock	--	(254,003)
<b>Net Cash and Cash Equivalents Provided By (Used In) Financing Activities</b>	<b>--</b>	<b>(254,003)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	1,036,746	(130,402)
Cash and Cash Equivalents - Beginning of Period	11,009,427	6,266,946
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 12,046,173</b>	<b>\$ 6,136,544</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>		
<b>Cash Paid During the Period for:</b>		
Income Taxes	\$ --	\$ ---

See accompanying notes to consolidated financial statements.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 1 - Organization and Business**

PhoneX Holdings, Inc. is building the dominant cloud based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. PhoneX Holdings, Inc., HD Capital Holdings, LLC, PhoneX Labs LLC and PhoneX Inc., (collectively, the “Company”), operates a Platform Partnership Model, through which it enables its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX enables mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand.

**Liquidity**

At March 31, 2025, the Company had cash and cash equivalents of \$12,046,173, working capital of \$23,001,718 and an accumulated deficit of \$47,499,050. In addition, the Company generated net income of \$819,192 and cash generated by operating activities amounted to \$1,044,835 for the quarter ended March 31, 2025. Historically, the principal source of liquidity has been the issuance of debt and equity securities. The Company does not believe it will need to raise additional funds in order to meet expenditures required for operating its business.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of PhoneX Holdings and its wholly-owned subsidiaries, PhoneX Inc., We Sell Cellular LLC, HD Capital Holdings, LLC, and BST Distribution Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the dates of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from these estimates.

**Cash and Cash Equivalents**

All highly liquid investments with an original maturity of 90 days or less when purchased are considered to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

**Accounts Receivable**

Accounts receivable represent obligations from the Company’s customers and are recorded net of allowances for cash discounts, doubtful accounts, and sales returns. The Company’s policy is to reserve for uncollectible accounts based on its best estimate of the amount 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. Account balances deemed to be uncollectible are written off after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was \$8,557 and \$15,945 at March 31, 2025 and December 31, 2024, respectively and is reflected in assets classified as held for sale.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Inventory, net**

Inventory, comprised of all finished goods, is stated at the lower of cost (average cost method) or net realizable value. Inventory is recorded net of allowances.

Allowances for slow-moving or obsolete inventory are provided based on historical experience of a variety of factors, including sales volume, product life and levels of inventory at the end of the year. The inventory reserve was approximately \$140,000 and \$99,000 as of March 31, 2025 and December 31, 2024, respectively.

Substantially all of the Company's inventory purchases are paid for before inventory is received in the Company's warehouse. Prepaid inventory amounted to approximately \$650,000 and \$938,000 at March 31, 2025 and December 31, 2024, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

All inventory amounts are reflected in assets classified held for sale.

**Property and Equipment**

Property and equipment represent costs associated with leasehold improvements, software, and computer and office equipment. Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation on property and equipment is calculated on the straight-line basis over the estimated useful lives of the related assets, which typically range from three to five years. Leasehold improvements are amortized over the shorter of the estimated useful lives or the remaining lease term. Maintenance and repairs are expensed as incurred; expenditures that enhance the value of property or extend their useful lives are capitalized. When assets are sold or returned, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income.

**Intangible Assets**

The Company accounts for intangible assets in accordance with Accounting Standards Codification ("ASC") 350, "Intangibles – Goodwill and Other" ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Intangible assets represent customer relationships and trade names/trademarks related to We Sell Cellular. Finite lived assets are amortized on a straight-line basis over the estimated useful lives of the assets. Indefinite lived intangible assets are not amortized, but instead are subject to annual impairment evaluation.

The Company periodically reviews the carrying values of its intangible assets and other long-lived assets when events or changes in circumstances indicate that it is more likely than not that their carrying values may exceed their fair values, and records an impairment charge when considered necessary. When circumstances indicate that an impairment of value may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying amount of the asset over its estimated fair value, is recognized. The cash flow estimates used in such calculations are based on estimates and assumptions, using all available information that management believes is reasonable. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. As of March 31, 2025 and December 31, 2024, the Company had fully amortized all intangible assets.

**Leases**

The Company determines whether an arrangement is a lease at contract inception by establishing if the contract conveys the right to use, or control the use of, identified property, plant, or equipment for a period of time in exchange for consideration.

During 2022, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of January 1, 2022.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The Company elected the package of three practical expedients. As such, the Company did not reassess whether expired or existing contracts are or contain a lease and did not need to reassess the lease classifications or reassess the initial direct costs associated with expired or existing leases. The Company did not elect the hindsight practical expedient or the land easement practical expedient, neither of which are applicable to the Company. Also, the Company has elected to take the practical expedient to not separate lease and non-lease components for all asset classes.

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and non-current portion) on the accompanying consolidated balance sheets. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of future payments. The operating lease ROU assets exclude lease incentives and initial direct costs incurred. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected the related practical expedients that are available.

### **Capitalized Technology Costs**

In accordance with ASC 350-40, "Internal-Use Software," the Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized technology costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years. At March 31, 2025 and December 31, 2024, the Company did not have any unamortized capitalized technology costs.

### **Convertible Instruments**

The Company reviews all of its convertible instruments for the existence of an embedded conversion feature, which may require bifurcation, if certain criteria are met. These criteria include circumstances in which:

- a) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,
- b) The hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur, and
- c) A separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to certain requirements (except for when the host instrument is deemed to be conventional).

A bifurcated derivative financial instrument may be required to be recorded at fair value and adjusted to market at each reporting period end date. In addition, the Company may be required to classify certain stock equivalents issued in connection with the underlying debt instrument as derivative liabilities.

For convertible instruments that the Company has determined should not be bifurcated from their host instruments, the Company records discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. Also when necessary, the Company records deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the financing transaction and the effective conversion price embedded in the preferred shares.

Finally, if necessary, the Company will determine the existence of liquidated damage provisions. Liquidated damage provisions are not marked to market, but evaluated based upon the probability that a related liability should be recorded. There was no bifurcation or liquidated damage provisions at March 31, 2025 and December 31, 2024.

### **Common Stock Purchase Warrants and Derivative Financial Instruments**

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The Company reviews any common stock purchase warrants and other freestanding derivative financial instruments at the balance sheet dates and classifies them on the consolidated balance sheets as:

a) Equity if they (i) require physical settlement or net-share settlement, or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement), or

b) Assets or liabilities if they (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control), or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

The Company assesses classification of its common stock purchase warrants and other freestanding derivatives at the reporting date to determine whether a change in classification between assets and liabilities is required. The Company determined that its outstanding common stock purchase warrants satisfied the criteria for classification as equity instruments at March 31, 2025 and December 31, 2024.

### **Revenue Recognition**

The Company follows the guidance of ASC 606 – “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

#### *Principal Device Revenue*

As of Q2 2025, the Company, through its subsidiary We Sell Cellular, generates revenue from the sales of its cellular telephones and related equipment. The Company recognizes revenue “FOB shipping point” on such sales. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer when the products leave the Company's warehouse. Payment terms generally require payment once an order is placed. The Company allows customers to return product within 30 days of shipment if the product is defective. Allowances for product returns are recorded as a reduction of sales at the time revenue is recognized based on historical data. The estimate of the allowance for product returns amounted to \$210,000 and \$339,000 at March 31, 2025 and December 31, 2024, respectively, and is recorded in liabilities directly associated with assets classified as held for sale in the accompanying consolidated balance sheets.

#### *Software Licensing Revenue*

The Company, through its subsidiary PhoneX Inc., generates revenue by licensing its software as a service to third parties. Revenue is recognized monthly for customers usage of the software.

#### *Deferred Revenue*

Deferred revenue represents amounts billed to customers or payments received from customers prior to providing services and for which the related revenue recognition criteria have not been met. Deferred revenue is recorded in liabilities directly associated with assets classified as held for sale in the accompanying balance sheets.

### **Shipping and Handling Costs**

The Company follows the provisions of ASC Topic 605-45 regarding shipping and handling costs. Shipping and handling costs included in cost of revenue were approximately \$410,000 and \$194,000 for the quarter ended March 31, 2025 and 2024, respectively. All shipping and handling costs are reflected in income from discontinued operations.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Advertising**

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately \$67,000 and \$84,000 for the quarter ended March 31, 2025 and 2024, respectively. All advertising costs are reflected in income from discontinued operations.

**Share-Based Payment Arrangements**

The Company accounts for stock options in accordance with ASC 718, "Compensation - Stock Compensation." ASC 718 requires generally that all equity awards be accounted for at their "fair value." This fair value is measured on the grant date for stock-settled awards, and at subsequent exercise or settlement for cash-settled awards. Fair value is equal to the underlying value of the stock for "full-value" awards such as restricted stock and performance shares and is estimated using an option-pricing model with traditional inputs for "appreciation" awards such as stock options and stock appreciation rights.

Costs equal to these fair values are recognized ratably over the requisite service period based on the number of awards that are expected to vest, or in the period of grant for awards that vest immediately and have no future service condition. For awards that vest over time, cumulative adjustments in later periods are recorded to the extent actual forfeitures differ from the Company's initial estimates: previously recognized compensation cost is reversed if the service or performance conditions are not satisfied and the award is forfeited. The expense resulting from share-based payments is recorded in general and administrative expense in the accompanying consolidated statements of income.

Subsequent modifications to outstanding awards result in incremental cost if the fair value is increased as a result of the modification. Thus, a value-for-value stock option repricing or exchange of awards in conjunction with an equity restructuring does not result in additional compensation cost.

**Income Taxes**

The Company complies with the accounting and reporting requirements of ASC Topic 740, "Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company may be subject to potential income tax examinations by federal or state authorities. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of March 31, 2025 and December 31, 2024.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable.

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. At times, the Company's cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000 per institution, per entity. At March 31, 2025 and December 31, 2024, the Company had approximately \$10,745,000 and \$9,492,000, respectively, in excess of the FDIC limits.

Concentrations of credit risk with respect to accounts receivables is minimal due to the large number of customers comprising the Company's customer base and generally short payment terms.

**New accounting pronouncements**

In December 2022, the FASB issued ASU No. 2022-06, Reference Rate Reform (Topic 848), which replaces the reference of London Interbank Offered Rate (LIBOR) with Secured Overnight Financing Rate (SOFR). This updated standard is effective for the Company beginning on January 1, 2023. The Company is currently evaluating the impact of Topic 848 to the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This updated standard is effective for the Company beginning on January 1, 2023. The Company is currently evaluating the impact of Topic 326 to the consolidated financial statements.

**Note 3 – Discontinued Operations**

On February 12, 2025, the Company entered into a Membership Interest Purchase Agreement ("Agreement") for the sale of 79.5% its membership interests in We Sell Cellular LLC ("WeSell"). Pursuant to the terms set forth in the Agreement, the purchase price of the membership interests is \$47.7 million in cash, subject to certain customary adjustments. As a condition of closing, WeSell was required to have working capital of \$13.5 million of which \$1.5 million will be in cash.

The Agreement was unanimously approved by the board of directors and by its shareholders during the first quarter. In addition to the initial sale of membership interests, the Company agreed to grant a Call Option to the buyer to purchase the remaining balance of the membership interests held by the Company. This Call Option expires on March 31, 2028 and the purchase price for the Call Option is calculated based on the percentage interest held by the Company on the date of the exercise of the Call Option multiplied by the sum of (i) \$60 million, (ii) cash minus indebtedness (excluding indebtedness related to any business combination or significant capital expenditure), and (iii) the difference between the working capital of WeSell and \$13.5 million (after deducting any working capital related to the exclusions referenced above in subpart (ii)). The closing of the transaction occurred on April 1, 2025.

The Company has contracted to provide administrative or other support to WeSell following the completion of the transaction.

As a result of the Agreement for the membership interests in WeSell, the Company determined that the results of operations for WeSell should be reported in accordance with ASC 205-20, Presentation of Financial Statements — Discontinued Operations. Accordingly, the assets and liabilities associated with WeSell are identified as "Assets classified as held for Sale" or "Liabilities associated with assets classified as held for sale" on its balance sheet as of March 31, 2025 and December 31, 2024. Additionally, the Company's statement of operations and statement of cash flows reflect the impact of both its continuing and discontinued operations pursuant to ASC 205-20.

The following tables presents additional information with respect to our discontinued operations:

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	As of March 31, 2025	As of December 31, 2024
	(unaudited)	(unaudited)
Inventory	\$ 7,999,432	\$ 10,528,281
Account receivable	3,329,798	2,594,224
Other assets	418,535	374,747
Operating lease right-of-use asset	404,657	471,263
Assets classified as held for sale	\$ 12,152,422	\$ 13,968,515
Accounts payable	283,622	241,319
Accrued expenses	657,365	904,425
Deferred revenue	362,262	1,813,387
Operating lease liability	425,428	494,089
Liabilities directly associated with assets classified as held for sale	\$ 1,728,677	\$ 3,453,220

	Three Months ended March 31,	
	2025	2024
Revenue	\$ 43,861,651	\$ 42,051,029
Cost of revenue	41,954,532	39,294,378
Gross profit	1,907,119	2,756,651
Operating expenses	1,008,636	1,195,227
Income from discontinued operations	898,483	1,561,424
Income tax expense	183,950	301,500
Income from discontinued operations, net of tax	\$ 714,533	\$ 1,259,924

**Note 4 - Commitments and Contingencies**

**Legal Proceedings**

From time to time, the Company is a party to or otherwise involved in legal proceedings arising in the normal and ordinary course of business. As of the date of this report, the Company is not aware of any proceeding, threatened or pending, against the Company which, if determined adversely, would have a material effect on its business, results of operations, cash flows or financial position.

**Operating Leases**

The Company leases office and warehouse space and automobiles under operating leases. The Company's portfolio of leases is primarily related to real estate and since most of our leases do not provide a readily determinable implicit rate, the Company estimated its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The table below presents the lease-related assets and liabilities recorded in assets classified as held for sale or liabilities directly associated with assets classified as held for sale on the accompanying consolidated balance sheets as of March 31, 2025 and 2024:

		<u>March 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<b>Assets</b>			
Noncurrent	Operating lease right-of-use asset	\$ <u>404,657</u>	\$ <u>471,263</u>
<b>Liabilities</b>			
Current	Operating leases – current portion	281,237	278,171
Noncurrent	Operating leases – long-term portion	<u>144,191</u>	<u>215,918</u>
	Total Operating lease liabilities	<u>425,428</u>	<u>494,089</u>
	Weighted-average remaining lease term		1.7 years
	Weighted-average discount rate		1.37%

**Undiscounted Cash Flows**

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of March 31, 2025 is approximately as follows:

2025	213,764
2026	<u>217,152</u>
Total minimum lease payments	430,916
Less: amount representing interest	<u>5,488</u>
Present value of lease liabilities	<u>\$ 425,428</u>

**Note 5 - Stock-Based Compensation**

**Stock Option Grants**

The following table summarizes the Company's stock option activity for the quarter ended March 31, 2025:

	<u>Number of</u> <u>Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Weighted</u> <u>Average</u> <u>Remaining</u> <u>Contractual</u> <u>Life</u> <u>(in Years)</u>	<u>Aggregate</u> <u>Intrinsic Value</u>
Outstanding – December 31, 2024	2,093,750	\$ 0.81	1.2	\$ 722,090
Granted	--	\$		--
Exercised	--			
Forfeited or canceled	--			
Outstanding – March 31, 2025	<u>2,093,750</u>	<u>\$ 0.81</u>	<u>1.2</u>	<u>\$ 1,098,965</u>
Exercisable – March 31, 2025	<u>1,327,084</u>	<u>\$ 0.75</u>	<u>1.4</u>	<u>\$ 865,123</u>

**PhoneX Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The Company recorded non-cash compensation expense of \$49,514 and \$77,856 for the three months ended March 31, 2025 and 2024, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at March 31, 2025 amounts to \$407,914 and is expected to be recognized over a weighted average period of 1.4 years.

The following table summarizes the Company's stock option activity for non-vested options for the three months ended March 31, 2025:

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance at December 31, 2024	766,666	\$ 0.20
Granted	--	--
Vested	(103,332)	(0.30)
Forfeited or canceled	--	--
Balance at March 31, 2025	<u>663,334</u>	<u>\$ 0.20</u>

**Restricted Stock Awards and Restricted Stock Units**

The Company does not currently have any unvested restricted stock awards or restricted stock units outstanding.

**Note 6 – Stock Purchase**

In January 2023, the Company purchased 533,702 shares of its common stock from 3 related shareholders for a purchase price of \$613,757.

In June 2023, the Company purchased 80,000 shares of its common stock for a purchase price of \$80,000.

In November 2023, the Company purchased 13,000 shares of its common stock for a purchase price of \$14,300.

In December 2023, the Company purchased 12,000 shares of its common stock for a purchase price of \$13,200.

In January 2024, the Company purchased 179,531 shares of its common stock for a purchase price of \$179,531.

In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of \$74,471.

In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.

In July 2024, the Company purchased 79,940 shares of its common stock for a purchase price of \$79,940.

In August 2024, the Company purchased 1,253 shares of its common stock for a purchase price of \$1,365.

**Note 7 – Subsequent Events**

As more fully described in footnote 3, the Company completed the sale of 79.5% its membership interests in We Sell Cellular LLC on April 1, 2025.

The Company did not identify any other subsequent events that would have required adjustment or disclosure in the financial statements.