Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

PhoneX Holdings, Inc.

A Delaware Corporation

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Edgewood, NY 11717
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nik@phonexinc.com
SIC Code: 7200

Quarterly Report
For the Period Ending: June 30, 2023
(The "Reporting Period")

The number of shares outstanding of our Common Stock was 36,054,904 as of August 14, 2023

The number of shares outstanding of our Common Stock was 36,054,904 as of June 30, 2023

The number of shares outstanding of our Common Stock was 36,668,606 as of December 31, 2022

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[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name and addresses 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

[1] "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.

Effective Profitable Software, Inc. 05/10/2005 to 05/22/2008
Modena 2, Inc. 11/18/2003 to 05/09/2005

The state of incorporation or registration of the issuer and of each of it predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated on November 18, 2003 in the state of Delaware. No changes to incorporation since inception. Incorporation is active.

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:

150 Executive Dr., Suite Q
Edgewood, NY 11717

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: ☒

2) Security Information

Transfer Agent

Name: Equity Stock Transfer, LLC
Phone: (212) 575-5757
Email: nora@equitystock.com
Address: 237 W 37th 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 Shares
CUSIP:	71922R106
Par or stated value:	$0.0001 par value per share
Total shares authorized:	60,000,000 shares of common as of date: 08/14/2023
Total shares outstanding:	36,054,904 shares of common as of date: 08/14/2023
Total number of shareholders of record:	112 as of date: 08/14/2023

All additional classes of publicly quoted or traded securities (if any): 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.

Exact title and class of the security	Convertible Series A Preferred Stock
CUSIP (if applicable)	N/A – no CUSIP
Par or stated value	$0.0001 par value per share
Total shares authorized:	325,000 shares authorized as of date: 06/30/2023
Total shares outstanding (if applicable)	N/A – no shares outstanding

Total number of shareholders of record (if applicable)	N/A – no shareholders of record

Exact title and class of the security	Convertible Series B Preferred Stock
CUSIP (if applicable)	N/A – no CUSIP
Par or stated value	$0.0001 par value per share
Total shares authorized:	4,000,000 shares authorized as of date: 06/30/2023
Total shares outstanding (if applicable)	N/A – no shares outstanding
Total number of shareholders of record (if applicable)	N/A – no shareholders of record

Exact title and class of the security	Convertible Series C Preferred Stock
CUSIP (if applicable)	N/A – no CUSIP
Par or stated value	$0.0001 par value per share
Total shares authorized:	146,667 shares authorized as of date: 06/30/2023
Total shares outstanding (if applicable)	N/A – no shares outstanding
Total number of shareholders of record (if applicable)	N/A – no shareholders of record

Exact title and class of the security	Convertible Series E Preferred Stock
CUSIP (if applicable)	N/A – no CUSIP
Par or stated value	$0.0001 par value per share
Total shares authorized:	103,232 shares authorized as of date: 06/30/2023
Total shares outstanding (if applicable)	N/A – no shares outstanding
Total number of shareholders of record (if applicable)	N/A – no shareholders of record

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 as of Second Most Recent Fiscal Year End: Opening Balance Date 01/01/2021 Common: 28,408,020 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?**
4/27/2021	Stock Purchase	(312,106)	Common	$0.53	No	See below	Stock Repurchase Plan	R	
05/14/2021	Stock Purchase	(178,269)	Common	$0.50	No	See below	Stock Repurchase Plan	R	
08/12/2021	New Issuance	16,016,666	Common	$0.30*	Yes	See below	Conversion of convertible Notes	R	4(a)(2) & Rule 506
10/29/2021	Stock Purchase	(108,333)	Common	$0.90	No	See below	Stock Repurchase Plan	R	
11/22/2021	New Issuance	33,336	Common	$0.99	No	See below	Employee stock plan	R	
12/01/2021	New Issuance	4,166	Common	$0.90	No	See below	Employee stock plan	R	
12/15/2021	New Issuance	40,000	Common	$0.90	No	See below	Director stock compensation	R	
12/03/2021	Stock Purchase	(166,172)	Common	$0.90	No	See below	Stock Repurchase Plan		
12/26/2021	Stock Purchase	(13,306)	Common	$0.78	No	See below	Stock Repurchase Plan		
12/27/2021	Stock Purchase	(600,000)	Common	$0.925	No	See below	Stock Repurchase Plan		
01/15/2022	Stock Purchase	(3,330,427)	Common	$0.925	No	See below	Stock Repurchase Agreement		
01/2022	Stock Purchase	(7,602)	Common	$0.87	No	See below	Stock Repurchase Plan		
02/10/2022	Stock Purchase	(168,659)	Common	$0.92	No	See below	Stock Repurchase Agreement		
02/2022	Stock Purchase	(5,200)	Common	$0.85	No	See below	Stock Repurchase Plan		

03/2022	Stock Purchase	(11,400)	Common	$0.71	No	See below	Stock Repurchase Plan		
04/2022	Stock Purchase	(4,400)	Common	$0.87	No	See below	Stock Repurchase Plan		
5/11/2022	New Issuance	90,000	Common	$0.70	No	See below	Employee stock plan		
06/2022	Stock Purchase	(400)	Common	$0.91	No	See below	Stock Repurchase Plan		
06/29/2022	Stock Purchase	(200,000)	Common	$0.15	No	See below	Stock Repurchase Plan		
08/3/2022	New Issuance	83,333	Common	$0.19	No	See below	Employee stock plan		
08/15/2022	Stock Purchase	(3,100)	Common	$0.98	No	See below	Stock Repurchase Plan		
9/15/2022	Stock Purchase	(22,100)	Common	$0.93	No	See below	Stock Repurchase Plan		
09/21/2022	Stock Purchase	(135,258)	Common	$0.90	No	See below	Stock Repurchase Plan		
10/15/2022	New Issuance	60,000	Common	$0.90	No	See below	Employee stock plan		
10/31/2022	Stock Purchase	(1,000)	Common	$0.915	No	See below	Stock Repurchase Plan		
10/2022	Stock Purchase	(2,062,984)	Common	$1.11	No	See below	Stock Repurchase Agreement		
11/1/2022	New Issuance	35,000	Common	$0.90	No	See below	Employee stock plan		
11/2022	Stock Purchase	(631,833)	Common	$1.15	No	See below	Stock Repurchase Agreement		
11/2022	Stock Purchase	(2,700)	Common	$1.02	No	See below	Stock Repurchase Plan		
12/2022	Stock Purchase	(136,666)	Common	$1.15	No	See below	Stock Repurchase Plan		
01/2023	Stock Purchase	(533,702)	Common	$1.15	No	See below	Stock Repurchase Agreement		
06/2023	Stock Purchase	(80,000)	Common	$1.00	No	See below	Stock Repurchase Plan		

Shares Outstanding on Date of This Report:

Ending Balance:

Date 08/14/2023 Common: 36,054,904
Preferred: 0

Example: A company with a fiscal year end of December 31st, 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, 2021 through December 31, 2022 pursuant to the tabular format above.

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:

- On April 27, 2021, the Company purchased 312,106 shares for a purchase price of $163,856 pursuant to its stock repurchase program
- On May 14, 2021, the Company purchased 178,269 shares for a purchase price of $89,134 pursuant to its stock repurchase program
- In June 2021, holders of $4,805,000 of the outstanding convertible promissory notes issued by the Company converted the notes into 16,016,666 shares of common stock at a conversion price of $0.30 per share, which was the fixed conversion price on November 20, 2018 when the convertible notes were issued. These shares were issued on August 12, 2021 following the increase in the Company's authorized common stock as follows:

Holder	Control Person	Note Amount Converted	Shares Issued
Amitabh Jhawar		$180,000	600,000
Ballista Holdings, LLC	Jan Carlsson	$500,000	1,666,667
Colin Zima		$75,000	250,000
Gerald Unterman		$1,000,000	3,333,333
Matthew Miller		$25,000	83,333
Paul Cusenza		$25,000	83,333
Piton Capital Partners LLC	Rob Averick	$1,800,000	6,000,000
Sunder Raman		$1,200,000	4,000,000

- On October 29, 2021, the Company purchased 108,333 shares for a purchase price of $97,499.70 pursuant to its stock repurchase program.
- In November 2021, the Company issued 33,336 shares to an employee as part of its employee stock plan.
- In December 2021, the Company issued 4,166 shares to an employee as part of its employee stock plan.
- In December 2021, the Company issued 40,000 shares to a director.
- In December 2021, the Company purchased 779,478 shares for a purchase price $715,398 pursuant to its stock repurchase program.
- In January 2022, the Company purchased 3,330,427 shares for a purchase price of $3,096,048 pursuant to board approved transaction with a major shareholder.
- In January 2022, the Company purchased 7,602 shares for a purchase price of $6,613 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In February 2022, the Company purchased 168,659 shares for a purchase price of $155,166 pursuant to its stock repurchase program.
- In February 2022, the Company purchased 5,200 shares for a purchase price of $4,405 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In March 2022, the Company purchased 11,400 shares for a purchase price of $8,428 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In April 2022, the Company purchased 4,400 shares for a purchase price of $3,837 pursuant to its stock repurchase plan.
- In May 2022, the Company issued 90,000 shares to employees in exchange for $63,000 pursuant to the exercise of options.
- In June 2022, the Company purchased 400 shares for a purchase price of $364 pursuant to its stock repurchase plan. These shares are currently held as treasury stock.
- In June 2022, the Company purchased 200,000 shares for a purchase price of $15,000 pursuant to its stock repurchase program.

- In August 2022, the Company issued 83,333 shares to employees in exchange for $16,333 pursuant to the exercise of options.
- In August 2022, the Company purchased 3,100 shares for a purchase price of $3,023 pursuant to its stock repurchase program.
- In September 2022, the Company purchased 157,358 shares for a purchase price of $142,344 pursuant to its stock repurchase program.
- In October 2022, the Company purchased 1,000 shares for a purchase price of $915 pursuant to its stock repurchase program.
- In October 2022, the Company issued 60,000 shares to employees as part of its employee stock plan.
- In November 2022, the Company issued 35,000 shares to a director in exchange for $31,500 pursuant to the exercise of options.
- During the period beginning October 7, 2022 and ending on November 1, 2022, the Company entered into a series of agreements whereby it repurchased 2,062,984 shares of common stock from 11 shareholders including one director and related parties in exchange for paying the shareholders $2,285,421.60. Immediately following the repurchase, the director resigned from the board of directors.
- In November 2022, the Company purchased 631,833 shares of its common stock for $726,607.
- In November 2022, the Company purchased 2,700 shares of its common stock via its stock re-purchase plan for $2,750.
- In December 2022, the Company purchased 136,666 shares of its common stock via its stock re-purchase plan for $157,165.
- 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.

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.)

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 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. The Company operates two distinct models: 1) a Proprietary Trading Model, through which it purchases devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) 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.

2nd Quarter 2023 Financial Highlights

Key financial metrics are as follows:

- Revenues increased by $7,957,000, or 24.9%, to $39,912,000 for the three months ended June 30, 2023, from $31,955,000 for the three months ended June 30, 2022.
- Revenues increased by $26,314,000, or 40.9%, to $90,548,000 for the six months ended June 30, 2023, from $64,234,000 for the six months ended June 30, 2022.
- Gross profit decreased by $1,238,000, or 35.5%, to $2,243,000 for the three months ended June 30, 2023, from $3,481,000 for the three months ended June 30, 2022.
- Gross profit increased by $19,000, or 0.2%, to $7,456,000 for the six months ended June 30, 2023, from $7,437,000 for the six months ended June 30, 2022.
- Operating income decreased by $1,354,000, or 81.5%, to $306,000 for the three months ended June 30, 2023, from $1,660,000 for the three months ended June 30, 2022.
- Operating income decreased by $765,000, or 19.6%, to $3,126,000 for the six months ended June 30, 2023, from $3,891,000 for the six months ended June 30, 2022.
- Net income decreased by $711,000, or 73.3%, to $259,000 for the three months ended June 30, 2023 from $970,000 for the three months ended June 30, 2022.
- Net income decreased by $703,000, or 21.9%, to $2,498,000 for the six months ended June 30, 2023 from $3,201,000 for the six months ended June 30, 2022.
- Adjusted EBITDA, a non-GAAP financial measure, decreased by $1,445,000, or 77.8%, to $410,000 for the three months ended June 30, 2023, from $1,855,000 for the three months ended June 30, 2022. See “Non-GAAP Financial Measure - Adjusted EBITDA” below.
- Adjusted EBITDA, a non-GAAP financial measure, decreased by $945,000, or 22%, to $3,346,000 for the six months ended June 30, 2023, from $4,291,000 for the six months ended June 30, 2022. See “Non-GAAP Financial Measure - Adjusted EBITDA” below.
- The Company had working capital of $15,594,000 at June 30, 2023 vs. working capital of $11,841,000 at June 30, 2022.

The Company’s Proprietary Trading business contracted in Q2, as trade-in volumes dropped sharply from the prior quarter. Management believes that this reduction was due to a relatively unsuccessful launch of Apple’s iPhone 14 series. Due to a reduction in available supply versus prior years, it was more challenging to procure supply at attractive margins, and device margins on purchases reduced sharply. While these conditions have improved to some extent in recent weeks, the market is still substantially less constructive than it was during the same period last year. In order to continue to expand the Company's market share, and despite the lower margin environment, management will continue to seek strategies to expand the Company’s reach and capture incremental market share through its Proprietary Trading business. We believe that we can leverage our scale and technological advantages to drive efficiencies and gain an advantage over less efficient, more thinly capitalized capitalized competitors. In particular, the Company has begun building out a remanufacturing operation that it believes will result in long-term market share expansion and margin growth, and has embarked on a lean transformation of its distribution center to reduce its costs. In order to drive these initiatives, the Company will make investments in personnel and infrastructure during the upcoming quarters. The success of We Sell Cellular’s growth strategy depends on its ability to execute and its ability to continue to scale its volumes despite uncertain market conditions.

The Company continued to generate meaningful software revenue in 2023 via a licensing agreement effected through its PhoneX, Inc. subsidiary. Management will focus on growing Software Licensing Revenue related to its Platform Partnership business while investing in long-term growth, with the goal of transforming into a scalable cloud-based software company generating high-margin, recurring revenues. The Company has completed a redesign of its software, with a particular focus on scalability, internationalization, and multi-tenancy. This investment has substantially expanded our total addressable market, as we can now license our SaaS product to distributors of all sizes throughout the world. In addition to this, earlier in the year the Company launched PhoneX Connect, a service that enables smaller resellers to connect to and pre-sell inventory of larger suppliers. PhoneX Connect enables larger suppliers, like We Sell Cellular, to expand distribution while enabling smaller resellers to grow without a substantial investment in inventory. We are currently testing and optimizing this system with WeSellCellular as the initial supplier, and are now seeking to add additional suppliers to the network.

The Company plans to continue to invest in technologies that enhance multi-tenancy, internationalization, high-availability, and scalability. We have made substantial strides on our machine learning initiatives, which seek to develop algorithms to assist our customers in making intelligent pricing decisions. All of our initiatives are geared toward increasing the long-term value of the enterprise. The success of any of the above endeavors hinges on the Company’s ability to successfully market and distribute its cloud-based software offering. The initial launch of its SaaS platform, along with the introduction of PhoneX Connect, indicates that there is significant demand for PhoneX’s software solutions within the industry, but no assurance can be given that PhoneX will successfully capitalize on the opportunity.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including statements regarding the Company’s efforts to expand its reach and capture greater market share, including through its Proprietary Trading business with plans to build out a remanufacturing operation, and through its Partnership business with plans of growing Software Licensing Revenue while investing in long-term growth with a view to transforming into a scalable cloud-based software company generating high-margin, recurring revenues, our ability to leverage our scale and technological advantages to drive efficiencies and gain an advantage over competitors, our investments in personnel and infrastructure and pursuit of research and development related to these aspirations, the perceived or anticipated benefits of these efforts, the potential markets and demand for and scalability and revenue-generating capabilities of our offerings, and liquidity. 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 our ability to continue to procure higher volumes of devices at favorable prices, potential adverse effects of increased interest rates in response to inflation, and continued uncertainty in the financial sector and national and global economies, 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, 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.

Non-GAAP Financial Measure - EBITDA

We make reference to "EBITDA", which is a measure of financial performance not calculated in accordance with accounting principles generally accepted in the United States ("GAAP"). Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP.

This non-GAAP measure is not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. This measure should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Reconciliations of EBITDA to the most directly comparable GAAP financial measure, net loss, to the extent available without unreasonable effort, are set forth below. The Company defines EBITDA as loss from operations before the items noted in the table below.

Management believes EBITDA provides a meaningful representation of our operating performance that provides useful information to investors regarding our financial condition and results of operations. EBITDA is commonly used by financial analysts and others to measure operating performance. Furthermore, management believes that this non-GAAP financial measure may provide investors with additional meaningful comparisons between current results and results of prior periods as they are expected to be reflective of our core ongoing business. However, while we consider EBITDA to be an important measure of operating performance, EBITDA and other non-GAAP financial measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Further, EBITDA, as we define it, may not be comparable to EBITDA, or similarly titled measures, as defined by other companies.

The following table presents EBITDA, a non-GAAP financial measure, and provides a reconciliation of EBITDA to the directly comparable GAAP measure reported in the Company's consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss)	$ 259,000	$ 970,000	$ 2,498,000	$ 3,201,000
Stock-based compensation expense	86,000	65,000	169,000	126,000
Depreciation and amortization	18,000	131,000	51,000	275,000
Interest income	(23,000)	—	(36,000)	—
Income Tax Expense (Benefit)	70,000	689,000	664,000	689,000

Adjusted EBITDA	$ 410,000	$ 1,855,000	$ 3,346,000	$ 4,291,000

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

The Company has two subsidiaries which are We Sell Cellular, LLC. and PhoneX, Inc. The officers of the subsidiaries are the same as those of the issuer.

C. Describe the issuers' principal products or services.

PhoneX Holdings operates two distinct business models. The first is characterized by a Proprietary Trading Model, through which the Company purchases 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. We Sell Cellular is one of a select group of wholesalers that has qualified for R2 certification, the industry standard for both data destruction and environmental protection.

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. PhoneX licenses its software to We Sell Cellular LLC through an intercompany agreement.

Revenue Model

PhoneX Holdings generates revenue by either taking possession of devices and selling these devices for a premium ("Principal Device Revenue") or by licensing its software as a service to third parties ("Software 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 Software Licensing Revenue but also Services Revenue, as PhoneX Inc. may provide integration services to new partners during an initial integration period. Devices sourced wholesale through PhoneX Holdings' subsidiary, We Sell Cellular, are all bought and sold using the Principal Device Revenue model.

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.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company warehouse is located in Edgewood New York. The Company leases approximately 23,000 square feet of warehouse and office space. The Company's computer servers are hosted by a large third party specializing in providing such services.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the Company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **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 in the note section.**

Include Company insiders who own any outstanding units or shares of any class of equity security of the issuer.

The goal of this section is to provide an investor 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 shareholders.

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(1)	Chief Executive Officer, Director	Brooklyn, New York	6,004,218	Common	16.6%	
Scott Tepfer	Executive Vice President, Director	Edgewood, New York	3,000,000	Common	8.3%	
Robert Averick(2)(3)	Director	Stamford, Connecticut	13,731,666	Common	37.9%	
Piton Capital Partners LLC (2)	5% owner	Stamford, Connecticut	12,482,666	Common	34.4%	
Gerald Unterman	5% owner	New York, New York	5,091,016	Common	14.0%	

1) On October 28, 2021, 4,817,552 shares of common stock were transferred to Nikhil Raman by a family member increasing his ownership to 6,004,218.
2) 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., 3rd floor, Stamford, CT.
3) 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 shares do not include 35,000 options awarded on March 22, 2022.

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
   No.

2. 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, or banking activities;
   No.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
   No.

4. The entry 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.

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: Howard Mann
Firm: EisnerAmper LLP
Address 1: 175 Broad Hollow Rd., Suite 250
Address 2: Melville, NY 11747
Phone: (516) 222-8312
Email: howard.mann@eisneramper.com

Investor Relations Consultant – N/A

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) Financial Statements

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

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)[2]:

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.

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

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:

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

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending June 30, 2023;

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.

08/14/2023

___/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 June 30, 2023;

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.

08/14/2023

_____/s/ Nikhil Raman________________

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

PHONEX HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2023

Index to Consolidated Financial Statements

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30 2023	December 31 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 5,142,590	$ 4,964,172
Accounts receivable, net	2,928,237	2,782,178
Inventory	9,858,181	8,188,733
Prepaid expenses and other current assets	252,948	136,510
Total Current Assets	**18,181,956**	**16,071,593**
Property and equipment, net	139,345	124,303
Operating lease right-of-use asset	866,092	995,937
Deferred tax asset non-current (net)	801,000	801,000
Other assets	40,775	40,775
Total Assets	**$ 20,029,168**	**$ 18,033,608**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 357,233	$ 339,355
Accrued expenses	852,346	879,731
Deferred revenue	1,117,806	960,806
Operating lease liability, current portion	260,370	254,638
Total Current Liabilities	**2,587,755**	**2,434,530**
Operating lease liability, net of current portion	628,667	760,292
Total Liabilities	**3,216,422**	**3,194,822**
Stockholders' Equity:		
Convertible Series A preferred stock; $0.0001 par value; 325,000 shares authorized; no shares issued and outstanding	—	—
Convertible Series B preferred stock; $0.0001 value per share; 4,000,000 shares authorized; no shares issued and outstanding	—	—
Convertible Series C preferred stock; $0.0001 value per share; 146,667 shares authorized; no shares issued and outstanding	—	—
Convertible Series E preferred stock; $0.0001 value per share; 103,232 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.0001 par value; 60,000,000 shares authorized; 36,261,370 shares and 36,668,606 issued and outstanding, respectively	3,627	3,688
Treasury Stock	(21)	(21)
Additional paid-in capital	72,760,095	73,284,262
Accumulated deficit	(55,950,955)	(58,449,143)
Total Stockholders' Equity	**16,812,746**	**14,838,786**
Total Liabilities and Stockholders' Equity	**$ 20,029,168**	**$ 18,033,608**

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 39,912,372	$ 31,955,388	$ 90,548,134	$ 64,234,472
Cost of Revenue	37,669,075	28,474,881	83,091,819	56,797,907
Gross Profit	2,243,297	3,480,507	7,456,315	7,436,565
Operating Expenses:				
Sales and marketing	229,708	187,313	520,764	392,200
General and administrative	1,707,170	1,633,439	3,809,713	3,153,348
Total operating expenses	1,936,878	1,820,755	4,330,477	3,545,548
Income from Operations	306,419	1,659,755	3,125,838	3,891,017
Other Expense:				
Interest income	23,001	99	36,350	120
Interest expense	—	—	—	(3)
Other Income	—	—	—	—
Total Other (Expense) Income, Net	23,001	99	36,350	117
Income before income tax expense	329,420	1,659,854	3,162,188	3,891,134
Income tax expense (benefit)	70,000	689,800	664,000	689,800
Net Income	**$ 259,420**	**$ 970,054**	**$ 2,498,188**	**$ 3,201,334**
Basic and Diluted Income per Common Share:				
Net income per common share – basic	**$ 0.01**	**$ 0.02**	**$ 0.07**	**$ 0.08**
Net income per common share – diluted	**$ 0.01**	**$ 0.02**	**$ 0.07**	**$ 0.08**
Weighted average number of common shares outstanding during the period – basic	**36,121,571**	**39,644,710**	**36,168,490**	**39,746,352**
Weighted average number of common shares outstanding during the period – diluted	**36,614,486**	**40,296,177**	**36,661,405**	**40,397,819**

See accompanying notes to consolidated financial statements.

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

Six months Ended June 30, 2023

	Common Stock, $0.0001 Par Value		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance, January 1, 2023	**36,875,072**	**$3,688**	**(206,466)**	$(21)	**$73,284,262**	**$(58,449,143)**	**$14,838,786**
Stock based compensation					169,529		169,529
Repurchase and retirement of common stock	(613,702)	(61)			(693,696)		(693,757)
Net Income						2,498,188	2,498,188
Balance, June 30, 2023	**36,261,370**	**$3,627**	**(206,466)**	$ (21)	**$72,760,095**	**$(55,950,955)**	**$16,812,746**

Six months Ended June 30, 2022

	Common Stock, $0.0001 Par Value		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance, January 1, 2022	**43,137,308**	**$4,314**	**(13,306)**	$(1)	**$79,512,089**	**$(66,784,430)**	**$12,731,972**
Stock based compensation					126,355		126,355
Repurchase and retirement of common stock	(3,699,086)	(370)			(3,250,865)		(3,251,214)
Treasury stock			(29,002)	(3)	(23,310)		(23,313)
Sale of common stock (Option Exercise)	90,000	9			62,991		63,000
Net Income						3,201,334	3,201,334
Balance, June 30, 2022	**39,528,222**	**$3,953**	**(42,308)**	$ (4)	**$76,427261**	**$(63,583,096)**	**$12,848,114**

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,498,188	$ 3,201,334
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	50,786	274,588
Stock based compensation	169,529	126,354
Changes in operating lease right-of-use asset	136,438	—
Changes in operating assets and liabilities:		
Accounts receivable	(146,059)	68,858
Inventory	(1,669,448)	2,933,029
Prepaid expenses and other current assets	(116,438)	(106,301)
Other assets	—	400
Accounts payable	17,878	50,668
Accrued expenses	(27,385)	105,231
Deferred revenue	157,000	(924,988)
Payments of operating lease liability	(132,486)	—
Net Cash and Cash Equivalents (Used In) Provided By Operating Activities	**938,003**	**5,729,173**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Website development costs	—	—
Cash paid to purchase property and equipment	(65,828)	(19,379)
Net Cash and Cash Equivalents Used In Investing Activities	**(65,828)**	**(19,379)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of capital lease obligations	—	(546)
Proceeds from sale of common stock	(693,757)	(3,226,889)
Net Cash and Cash Equivalents Provided By (Used In) Financing Activities	**(693,757)**	**(3,227,435)**
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning of Period	4,964,172	3,242,589
Cash and Cash Equivalents - End of Period	**$ 5,142,590**	**$ 5,724,948**
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Income Taxes	$ 886,109	$ 509,800

See accompanying 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. The Company operates two distinct models: 1) a Proprietary Trading Model, through which it purchases devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) 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 June 30, 2023, the Company had cash and cash equivalents of $5,142,590, working capital of $15,594,201 and an accumulated deficit of $55,950,955. In addition, the Company generated net income of $2,498,188 and cash generated by operating activities amounted to $938,003 for the six months ended June 30, 2023. 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, Inc. 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 $2,892 and $2,892 at June 30, 2023 and December 31, 2022, respectively.

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 $38,000 and $58,000 as of June 30, 2023 and December 31, 2022, 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 $551,000 and $290,000 at June 30, 2023 and December 31, 2022, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

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. During the periods ended June 30, 2023, and December 31, 2022, the Company noted no indicators of impairment.

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.

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.

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 June 30, 2023, and December 31, 2022.

Common Stock Purchase Warrants and Derivative Financial Instruments

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 June 30, 2023, and December 31, 2022.

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

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 $506,000 and $314,000 at June 30, 2023, and December 31, 2022, respectively, and is recorded in accrued expenses 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. Customers are billed monthly for their 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.

Shipping and Handling Costs

Shipping and handling costs included in cost of revenue were approximately $199,000 and $185,000 for the three months ended June 30, 2023 and 2022, respectively, and $443,000 and $288,000 for the six months ended June 30, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately $97,000 and $40,000 for the three months ended June 30, 2023 and 2022, respectively, and $176,000 and $99,000 for the six months ended June 30, 2023 and 2022, respectively.

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 stock options 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 June 30, 2023 and June 30, 2022.

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 June 30, 2023 and December 31, 2022, the Company had approximately $4,052,000 and $4,100,000, 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, generally short payment terms and credit insurance which the Company maintains for its largest customers.

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 - 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

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. Upon adoption the Company recorded approximately $1,260,000 for right-of-use asset and lease liabilities. The Company did not apply the new standard to comparative periods and therefore, those amounts are not presented below.

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.

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.

The table below presents the lease-related assets and liabilities recorded on the accompanying consolidated balance sheets as of June 30, 2023:

	Classification on the Balance Sheet	
Assets		
Noncurrent	Operating lease right-of-use asset	$ 866,092
Liabilities		
Current	Operating leases – current portion	$ 260,370
Noncurrent	Operating leases – long-term portion	628,667
Total operating lease liabilities		
		$ 889,037
Weighted-average remaining lease term		4.5 years
Weighted-average discount rate		1.37%

Lease expense, amounting to $84,200 and $84,200 for the three months ended June 30, 2023 and 2022, respectively, is included in general and administrative expense in the consolidated statements of operations.

Lease expense, amounting to $167,700 and $167,700 for the six months ended June 30, 2023 and 2022, respectively, is included in general and administrative expense in the consolidated statements of operations.

Undiscounted Cash Flows

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023 is approximately as follows:

2023	$	134,472
2024		274,962
2025		283,209
2026		217,152
Total minimum lease payments		909,795
Less: amount representing interest		20,757
Present value of lease liabilities	$	889,038

Note 4 - Stock-Based Compensation

Stock Option Grants

The following table summarizes the Company's stock option activity for the period ended June 30, 2023:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)		Aggregate Intrinsic Value
Outstanding – December 31, 2022	1,485,000	$	0.70	3.6	$	709,113
Granted	50,000		1.55	5.0		77,500
Exercised						
Forfeited or canceled						
Outstanding – June 30, 2023	1,535,000	$	0.73	3.0	$	1,354,375
Exercisable – June 30, 2023	845,417	$	0.52	2.6	$	922,263

The Company recorded non-cash compensation expense of $85,841 and $63,446 for the three month periods ended June 30, 2023 and 2022, respectively, pertaining to stock option grants.

The Company recorded non-cash compensation expense of $169,529 and $123,355 for the six month periods ended June 30, 2023 and 2022, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at June 30, 2023 amounts to $673,661 and is expected to be recognized over a weighted average period of 2.6 years.

The following table summarizes the Company's stock option activity for non-vested options for the period ended June 30, 2023:

	Number of Options		Weighted Average Grant Date Fair Value
Balance at December 31, 2022	864,585	$	0.90
Granted	50,000		1.55
Vested	(225,002)		(0.43)
Forfeited or canceled			
Balance at June 30, 2023	689,583	$	0.99

Restricted Stock Awards and Restricted Stock Units

A summary of the restricted stock award and restricted stock unit activity for the period ended June 30, 2023 is as follows:

	Number of Shares
Unvested Outstanding at December 31, 2022	0
Granted	--
Forfeited	—
Vested	0
Unvested Outstanding at June 30, 2023	0

The Company recorded non-cash compensation expense of $0 and $1,500 for the three month periods ending on June 30, 2023 and 2022, respectively.

The Company recorded non-cash compensation expense of $0 and $3,000 for the six month periods ending on June 30, 2023 and 2022, respectively.

Total unrecognized compensation expense related to unvested stock awards and unvested restricted stock units at June 30, 2023 is $0.

Note 5 – Customer and Vendor Concentrations

Customer Concentration

During the three months ended June 30, 2023, 1 customer represented 10% or more of revenue, representing 26%. During the three months ended June 30, 2022, one customer represented 10% or more of revenue, representing 13%. During the three months ended June 30, 2023, 55% and 27% of the Company's revenues were originated in the United States and Mexico, respectively. During the three months ended June 30, 2022, 58% and 19% of the Company's revenues were originated in the United States and Mexico, respectively.

During the six months ended June 30, 2023, one customer represented 23% of revenues. During the six months ended June 30, 2022, one customer represented 15% of revenues. During the six months ended June 30, 2023, 53% and 24% of the Company's revenues were originated in the United States and Mexico, respectively. During the six months ended June 30, 2022, 56% and 17% of the Company's revenues were originated in the United States and Mexico, respectively

At June 30, 2023, one customer represented at least 10% of accounts receivable, accounting for 30% of the Company's accounts receivable. At June 30, 2022, one customer represented at least 10% of accounts receivable, accounting for 32% of the Company's accounts receivable.

Vendor Concentration

During the three months ended June 30, 2023, three vendors represented 10% or more of purchases, accounting for 47%, 19%, and 11%, respectively, of the Company's purchases. During the three months ended June 30, 2022, three vendors represented 10% or more of purchases, accounting for 49%, 16%, and 13%, respectively, of the Company's purchases.

During the six months ended June 30, 2023, three vendors represented 10% or more of purchases, accounting for 42%, 19% and 15%, respectively, of the Company's purchases. During the six months ended June 30, 2022, three vendors represented 10% or more of purchases, accounting for 59%, 15% and 11%, respectively, of the Company's purchases.

Note 6 – Stock Purchase

On December 29, 2021, the Company entered into an agreement to purchase 3,330,427 shares of its common stock for a total of $3,096,048. The Company subsequently paid for and received these shares during the first quarter of 2022.

In January of 2022, the Company purchased 7,602 shares of its common stock via its tock re-purchase plan for a total of $6,643

In February of 2022, the Company purchased 5,200 shares of its common stock via its stock re-purchase plan for a total of $4,405

On February 10, 2022, the Company purchased 168,659 shares of its common stock via its stock re-purchase plan for a total of $155,166.

In March of 2022, the Company purchased 11,400 shares of its common stock via its stock re-purchase plan for a total of $8,428.

In April of 2022, the Company purchased 4,400 shares of its common stock via its stock re-purchase plan for a total of $3,837.

In May of 2022, the Company purchased 400 shares of its common stock via its stock re-purchase plan for a total of $364.

In June of 2022, the Company purchased 200,000 shares of its common stock via its stock re-purchase plan for a total of $15,000.

In August 2022, the Company purchased 3,100 shares of its common stock via its stock re-purchase plan for a total of $3,023.

In September 2022, the Company purchased 157,358 shares of its common stock via its stock re-purchase plan for a total of $142,344.

During the period beginning October 7, 2022 and ending on November 1, 2022, the Company entered into a series of agreements whereby it repurchased 2,062,984 shares of common stock from 11 shareholders including one director and related parties in exchange for paying the shareholders $2,285,421.60. Immediately following the repurchase, the director resigned from the board of directors.

In October 2022, the Company purchased 1,000 shares of its common stock via its stock re-purchase plan for a total of $915.

In November 2022, the Company purchased 631,833 shares of its common stock for $726,607.

In November 2022, the Company purchased 2,700 shares of its common stock via its stock re-purchase plan for $2,750.

In December 2022, the Company purchased 136,666 shares of its common stock via its stock re-purchase plan for $157,165.

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.

Note 7 – Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the condensed financial statements were issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the condensed financial statements.