usell.com, Inc.
Form 10-Q
August 14, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2018

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission file number 000-50494

**uSell.com, Inc.**

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **98-0412432** |
|---|---|

| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
|---|---|
| **171 Madison Avenue, 17th Floor New York, New York** | **10016** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(212) 213-6805**

*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer (Do not check if a smaller reporting company) | Smaller reporting company |
| Emerging growth company | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| **Class** | **Outstanding as of August 10, 2018** |
| --- | --- |
| Common Stock, $0.0001 par value per share | 28,351,999 shares |

**uSell.com, Inc. and Subsidiaries**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| | **PART I - FINANCIAL INFORMATION** | |
| Item 1. | Financial Statements. | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations. | 15 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk. | 20 |
| Item 4. | Controls and Procedures. | 21 |
| | **PART II - OTHER INFORMATION** | |
| Item 1. | Legal Proceedings. | 21 |
| Item 1A. | Risk Factors. | 21 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds. | 21 |
| Item 3. | Defaults Upon Senior Securities. | 21 |
| Item 4. | Mine Safety Disclosures. | 21 |
| Item 5. | Other Information. | 21 |
| Item 6. | Exhibits. | 21 |
| SIGNATURES | | 22 |

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**uSell.com, Inc. and Subsidiaries**

**Condensed Consolidated Balance Sheets**

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $275,675 | $390,810 |
| Restricted cash | 2,170,678 | 942,274 |
| Accounts receivable, net | 121,304 | 236,674 |
| Inventory | 4,719,755 | 10,642,531 |
| Due from related party | — | 139,333 |
| Prepaid expenses and other current assets | 134,356 | 99,381 |
| **Total Current Assets** | **7,421,768** | **12,451,003** |
| | | |
| Property and equipment, net | 162,282 | 188,056 |
| Intangible assets, net | 2,560,208 | 2,948,294 |
| Capitalized technology, net | 845,981 | 868,449 |
| Other assets | 61,750 | 61,750 |
| | | |
| **Total Assets** | **$11,051,989** | **$16,517,552** |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities:** | | |
| Accounts payable | $2,683,340 | $1,787,571 |
| Accrued expenses | 1,128,930 | 1,165,348 |
| Deferred revenue | 471,728 | 394,780 |
| Promissory note payable | 5,105,670 | 8,325,355 |
| Capital lease obligation | 14,976 | 14,400 |
| **Total Current Liabilities** | **9,404,644** | **11,687,454** |
| | | |
| Capital lease obligation, net of current portion | 38,418 | 46,053 |
| **Total Liabilities** | **9,443,062** | **11,733,507** |
| | | |
| **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; 43,333,333 shares authorized; 28,347,999 shares and 28,290,999 shares issued and outstanding, respectively | 2,835 | 2,829 |
| Additional paid in capital | 75,651,623 | 75,469,350 |
| Accumulated deficit | (74,045,531) | (70,688,134) |
| **Total Stockholders' Equity** | **1,608,927** | **4,784,045** |
| | | |
| **Total Liabilities and Stockholders' Equity** | **$11,051,989** | **$16,517,552** |

*See accompanying notes to unaudited interim condensed consolidated financial statements.*

**uSell.com, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Revenue | $19,258,069 | $24,637,472 | $33,431,673 | $52,268,971 |
| Cost of Revenue | 18,654,881 | 23,645,261 | 33,447,041 | 48,548,519 |
| **Gross Profit (Loss)** | 603,188 | 992,211 | (15,368) | 3,720,452 |
| Operating Expenses: | | | | |
| Sales and marketing | 195,906 | 486,295 | 477,271 | 1,084,774 |
| General and administrative | 1,083,531 | 1,307,633 | 2,183,118 | 2,894,497 |
| Total operating expenses | 1,279,437 | 1,793,928 | 2,660,389 | 3,979,271 |
| **Loss from Operations** | (676,249) | (801,717) | (2,675,757) | (258,819) |
| Other Expense: | | | | |
| Interest expense | (307,345) | (346,550) | (681,640) | (1,635,929) |
| **Total Other Expense** | (307,345) | (346,550) | (681,640) | (1,635,929) |
| **Net Loss** | **$(983,594)** | **$(1,148,267)** | **$(3,357,397)** | **$(1,894,748)** |
| **Basic and Diluted Loss per Common Share:** | | | | |
| Net loss per common share - basic and diluted | **$(0.03)** | **$(0.06)** | **$(0.12)** | **$(0.09)** |
| **Weighted average number of common shares outstanding during the period - basic and diluted** | **28,343,999** | **20,143,559** | **28,340,270** | **20,140,297** |

*See accompanying notes to unaudited interim condensed consolidated financial statements.*

**uSell.com, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2018** | **2017** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net loss | $(3,357,397) | $(1,894,748) |
| Adjustments to reconcile net loss to net cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation and amortization | 703,054 | 723,191 |
| Stock based compensation expense | 182,279 | 242,208 |
| Amortization of debt issue costs into interest expense | 80,315 | 1,026,656 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 115,370 | 178,456 |
| Inventory | 5,922,776 | (778,425) |
| Due from related party | 139,333 | (390,675) |
| Prepaid and other current assets | (34,975) | (15,808) |
| Other assets | — | 12,608 |
| Accounts payable | 895,769 | (230,145) |
| Accrued expenses | (36,418) | 503,253 |
| Deferred revenues | 76,948 | (124,604) |
| **Net Cash, Cash Equivalents and Restricted Cash Provided by (Used in) Operating Activities** | **4,687,054** | **(748,033)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Website development costs | (261,956) | (269,977) |
| Cash paid to purchase property and equipment | (4,770) | (9,320) |
| **Net Cash, Cash Equivalents and Restricted Cash Used in Investing Activities** | **(266,726)** | **(279,297)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from note payable | — | 8,572,400 |
| Principal repayments of note payable | (3,300,000) | (8,080,000) |
| Payment of capital lease obligations | (7,059) | (6,095) |
| Cash paid for debt issue costs | — | (301,509) |
| **Net Cash, Cash Equivalents and Restricted Cash (Used in) Provided by Financing Activities** | **(3,307,059)** | **184,796** |

| | | |
|---|---|---|
| **Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash** | **1,113,269** | **(842,534)** |
| Cash, Cash Equivalents and Restricted Cash - Beginning of Period | 1,333,084 | 2,639,486 |
| **Cash, Cash Equivalents and Restricted Cash - End of Period** | **$2,446,353** | **$1,796,952** |
| **SUPPLEMENTARY CASH FLOW INFORMATION:** | | |
| Cash Paid During the Period for: | | |
| Interest | $640,203 | $500,602 |
| Taxes | $900 | $7,177 |
| **SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:** | | |
| Purchases of property and equipment through capital leases | $— | $14,686 |

*See accompanying notes to unaudited interim condensed consolidated financial statements.*

**Note 1 - Organization and Business**

uSell.com, Inc., through its wholly-owned subsidiaries (collectively, “uSell,” or the “Company”), is a large market maker of used smartphones. uSell acquires products from both individual sellers, on its website, uSell.com, and from major carriers, big box retailers, and manufacturers through its subsidiary, We Sell Cellular, LLC (“We Sell Cellular”). The Company maximizes the value of these devices by reclassifying them, adding value to them, and moving them throughout the world to those who want them most. In order to serve its global and highly diverse customer base, uSell leverages both a traditional sales force and an online marketplace where professional buyers of used smartphones can buy inventory on-demand. Through participation on uSell’s online platform and through interaction with uSell’s salesforce, buyers can acquire high volumes of inventory in a cost effective manner, while minimizing risk.

**Going Concern Consideration**

At June 30, 2018, the Company had cash and cash equivalents of $276,000, a working capital deficit of $1,983,000 and an accumulated deficit of $74,046,000. In addition, the Company generated a net loss of $3,357,000 for the six months ended June 30, 2018. As a result of the downturn in the Company's business relating in part to the disruptions in key global markets, the Company did not meet one of the financial covenants under the January 2017 Note Purchase Agreement ("NPA") and therefore was in default under the agreement for the quarter ended March 31, 2018. The Lender granted the Company a forbearance of existing remedies on the default until September 30, 2018 (see Notes 5 and 11). The Company does not yet have a history of financial stability and may continue to generate operating losses for the foreseeable future. Historically, the principal source of liquidity has been the issuance of debt and equity securities. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued. Management plans to address this uncertainty through further implementation of its business plan or by continuing to raise funds through debt and/or equity. There can be no assurances that the plans and actions proposed by management will be successful or that unforeseen circumstances will not require additional funding sources in the future or effectuate plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 2 - Significant Accounting Policies**

**Basis of Presentation**

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

information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that the accompanying unaudited interim condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC (the "2017 10-K"), which contains the audited financial statements and notes thereto, together with Management's Discussion and Analysis, for the years ended December 31, 2017 and 2016. The financial information as of December 31, 2017 is derived from the audited financial statements presented in the 2017 10-K. The interim results for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or for any future interim periods.

**Principles of Consolidation**

The accompanying unaudited interim condensed consolidated financial statements include the accounts of uSell and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Segment Information**

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company’s chief operating decision maker is its Chief Executive Officer. The Company and its Chief Executive Officer view the Company’s operations and manage its business as one operating segment.

**Use of Estimates**

The preparation of unaudited interim condensed consolidated financial statements in conformity 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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 date of the unaudited interim condensed 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 our estimates.

**Restricted Cash**

The Company maintains a dedicated bank account with a third party custodian pursuant to which all accounts receivable and Collateral proceeds (as defined in the NPA) are deposited to this account. The Company can only access funds in this account in accordance with the terms of the NPA. This account is controlled by the Lender and is presented as restricted cash in the accompanying consolidated balance sheet.

**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 charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was $1,317 at June 30, 2018 and $0 at December 31, 2017.

**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 period. The change in the provision for slow-moving inventory amounted to $0 and $91,000 for the three months ended June 30, 2018 and 2017, respectively, and $8,000 and $30,000 for the six months ended June 30, 2018 and 2017, respectively. The inventory reserve was $75,000 and $285,000 as of June 30, 2018 and December 31, 2017, 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 $1,078,000 and $474,000 at June 30, 2018 and December 31, 2017, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

**Revenue Recognition**

The Company adopted Accounting Standards Codification (“ASC”) 606 – Revenue from Contracts with Customers” (“ASC 606”) as of January 1, 2018 using the modified retrospective method. This method allows the Company to apply ASC 606 to new contracts entered into after January 1, 2018, and to its existing contracts for which revenue earned through December 31, 2017 has been recognized under the guidance in effect prior to the effective date of ASC 606. The revenue recognition processes the Company applied prior to adoption of ASC 606 align with the recognition and measurement guidance of the new standard, therefore adoption of ASC 606 did not require a cumulative adjustment to opening equity.

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 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 approximately $340,000 and $267,000 at June 30, 2018 and December 31, 2017, respectively, and is recorded in accrued expenses in the accompanying condensed consolidated balance sheets.

*Agent Commission Revenue*

Sellers on the Company's uSell.com website are shown a list of offers from third party buyers interested in purchasing their devices. If a seller chooses one of these offers, the seller will ship their device directly to the buyer. The buyer is then responsible for testing the device, servicing the customer, and ultimately paying the seller for the device or returning it. The Company charges a commission to the buyers only when the seller sends in a device and is successfully paid for it. As such, the Company recognizes Agent Commission Revenue upon payment to the seller.

*Fulfillment Revenue*

The Company offers fulfillment services on behalf of its buyers for the items sold using the Agent Commission Revenue approach outlined above. The Company acts as the agent in these fulfillment services transactions, passing

orders booked by its buyers to its third party fulfillment vendor, who then assembles the kits and mails them directly to the sellers. The Company earns a standard fee from its buyers and recognizes revenue upon shipment of the kits to the sellers. The Company evaluated the presentation of revenue on a gross versus net basis and determined that since the Company performs as an agent without assuming the risks and rewards of ownership of the goods, revenue should be reported on a net basis.

*Advertising Revenue*

Advertising revenues primarily come from payments for text-based sponsored links and display advertisements. Generally, the Company’s advertisers pay the Company on a cost per click, or CPC basis, which means advertisers pay only when someone clicks on one of their advertisements, or on a cost per thousand impression basis, or CPM. Paying on a CPM basis means that advertisers pay the Company based on the number of times their advertisements appear on the Company’s websites or mobile applications. Advertising revenue is recognized as income when the advertising services are rendered.

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 $60,000 and $138,000 for the three months ended June 30, 2018 and 2017, respectively, and approximately $123,000 and $322,000 for the six months ended June 30, 2018 and 2017, respectively.

**Advertising**

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately $6,000 and $10,000 for the three months ended June 30, 2018 and 2017, respectively, and approximately $15,000 and $21,000 for the six months ended June 30, 2018 and 2017, respectively.

**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. At June 30, 2018 and December 31, 2017, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

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.

**Fair Value of Financial Instruments**

Financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments. The fair value of debt approximates its carrying amounts as a market rate of interest is attached to the repayment.

**Net Loss per Share**

Basic loss per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period, including stock options and warrants, using the treasury stock method, and convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The computation of diluted EPS excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

| | Six Months Ended | |
|---|---|---|
| | June 30, | |
| | 2018 | 2017 |
| Unvested Restricted Stock | 97,916 | 170,000 |
| Vested and Unvested Restricted Stock Units | 476,353 | 743,020 |
| Stock Options | 429,000 | 646,998 |
| Stock Warrants | 797,083 | 797,083 |
| | 1,800,352 | 2,357,101 |

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standard Board (the “FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 provides guidance for revenue recognition and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” and most industry-specific guidance. The core principle of ASU 2014-09 is the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 was initially effective for fiscal years beginning after December 15, 2016 and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The Company adopted the standard on January 1, 2018 using the modified retrospective transition method. The adoption of this standard did not have a material effect on the Company’s financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 206-15 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. The Company adopted the standard on January 1, 2018. The adoption of this standard did not have a material effect on the Company's financial position or results of operations.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740)" ("ASU 2016-16"), which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted using a modified retrospective transition approach. The Company adopted the standard on January 1, 2018. The adoption of this standard did not have a material effect on the Company's financial position or results of operations.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and is to be applied retrospectively. The Company adopted the standard on January 1, 2018. Effective with the adoption of the new guidance, the Company changed the presentation of restricted cash in its consolidated statements of cash flows to conform to the new requirements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805) Clarifying the Definition of a Business" ("ASU 2017-01"). The amendments in ASU 2017-01 clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted the standard on January 1, 2018. The adoption of this standard did not have an effect on the Company's financial position or results of operations.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting "("ASU 2017-09"). ASU 2017-09 provides clarity and reduces both (i) diversity in practice and (ii) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to

the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for all annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Company adopted the standard on January 1, 2018. The adoption of this standard did not have an effect on the Company's financial position or results of operations.

In June 2018, the FASB issued ASU 2018-07, "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" ("ASU 2018-07"), which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. ASU 2018-07 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

**Note 3 - Intangible Assets**

Intangible assets, net is as follows:

| June 30, 2018 | Useful Lives (Years) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|
| Trade Name | 7 | $2,622,000 | $(998,848) | $1,623,152 |
| Customer Relationships | 5 | 2,008,000 | (1,070,944) | 937,056 |
| eBay Reputation Relationship | 1 | 369,000 | (369,000) | — |
| Non-Compete Agreement | 1 | 283,000 | (283,000) | — |
| Intangible assets, net | | $5,282,000 | $(2,721,792) | $2,560,208 |

| December 31, 2017 | Useful Lives (Years) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|
| Trade Name | 7 | $2,622,000 | $(811,564) | $1,810,436 |
| Customer Relationships | 5 | 2,008,000 | (870,142) | 1,137,858 |
| eBay Reputation Relationship | 1 | 369,000 | (369,000) | — |
| Non-Compete Agreement | 1 | 283,000 | (283,000) | — |
| Intangible assets, net | | $5,282,000 | $(2,333,706) | $2,948,294 |

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense amounted to $194,000 for the three months ended June 30, 2018 and 2017 and $388,000 for the six months ended June 30, 2018 and 2017, respectively.

Future annual estimated amortization expense is summarized as follows:

| Years ending December 31, | |
|---|---|
| 2018 (remaining six months) | $388,086 |
| 2019 | 776,171 |
| 2020 | 709,227 |
| 2021 | 374,571 |
| 2022 | 312,153 |
| | $2,560,208 |

**Note 4 – Capitalized Technology, Net**

Capitalized technology consists of the following:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Gross value | $3,969,644 | $3,707,688 |
| Accumulated amortization | (3,123,663) | (2,839,239) |
| Net value | $845,981 | $868,449 |

Capitalized technology is amortized on a straight-line basis over estimated useful lives of three years. Amortization expense amounted to $141,000 and $159,000 for the three months ended June 30, 2018 and 2017, respectively, and $284,000 and $307,000 for the six months ended June 30, 2018 and 2017, respectively, and is included in cost of revenue.

Future annual estimated amortization expense is summarized as follows:

| **Years ending December 31,** | |
|---|---|
| 2018 (remaining six months) | $259,226 |
| 2019 | 377,972 |
| 2020 | 183,739 |
| 2021 | 25,044 |
| | $845,981 |

**Note 5 - Promissory Note**

At June 30, 2018, the Company's Note (as defined below) is comprised of the following:

| | |
|---|---|
| Total Notes | $5,360,000 |
| Less: Unamortized discount and debt issue costs | (254,330 ) |
| Total Notes, net of unamortized discount and debt issue costs | $5,105,670 |

As a result of the downturn in the Company's business relating in part to the disruptions in key global markets, the Company did not meet one of the financial covenants under the NPA and therefore was in default under the agreement for the quarter ended March 31, 2018. On May 4, 2018, the Company entered into a Forbearance and Third Amendment Agreement, pursuant to which the Lender granted the Company a forbearance of existing remedies of its default under one of its financial covenants (the "Default") until June 30, 2018. On July 5, 2018, the Lender extended the forbearance until September 30, 2018 (see Note 11). In addition, the Company amended the terms of its financial covenant related to its debt coverage ratio and repaid $3,304,068 of the NPA, inclusive of $4,068 of accrued interest. On May 4, 2018, the Company entered into a Second Amended and Restated Secured Term Note, pursuant to which the NPA's interest rate was increased from 15.0% to 16.0% commencing June 1, 2018. The maturity date for the NPA remained at January 13, 2020. The Company cannot provide assurance that it will be able to meet its financial covenants for the quarter ended September 30, 2018 and cannot provide assurance that the Lender will continue to provide a forbearance. If the Company is unable to obtain a waiver from the Lender, the Lender will be able to foreclose on all of the Company's assets and the Company will have to cease operations. Accordingly, the Company has classified the NPA as a current liability.

The Company maintains a dedicated bank account with a third party custodian pursuant to which all accounts receivable and Collateral proceeds (as defined in the NPA) are deposited to this account. The Company can only access funds in this account in accordance with the terms of the NPA. This account is controlled by the Lender and is presented as restricted cash in the accompanying condensed consolidated balance sheet.

The Company recorded a discount on the secured term note (the “Note”) of $88,000 which is being accreted to non-cash interest expense over the contractual term of the Note. During the three months ended June 30, 2018 and 2017, accretion of the discount amounted to $7,000. During the six months ended June 30, 2018 and 2017, accretion of the discount amounted to $15,000 and $7,000, respectively. Contractual interest expense on the Note amounted to $266,000 and $309,000 for the three months ended June 30, 2018 and 2017, respectively, and $599,000 and $568,000 for the six months ended June 30, 2018 and 2017, respectively.

The Company incurred fees associated with the closing of the Note of $360,000. These amounts have been treated as a debt issue cost and, accordingly, have been recorded as a direct deduction from the carrying amount of Note and are being amortized to interest expense over the contractual term of the Note. During the three months ended June 30, 2018 and 2017, accretion of the fees amounted to $33,000 and $29,000, respectively. During the six months ended June 30, 2018 and 2017, accretion of the fees amounted to $66,000 and $49,000, respectively

**Note 6 – Special Purpose Entity**

On the January 13, 2017, the Company and the Lender (the “Manager”) formed a special purpose entity as a Delaware limited liability company (the “SPE”), for the purpose of purchasing, refurbishing, repairing and reselling cell phones, smart phones, tablets and related accessories. The Manager is the sole manager of the SPE. The Manager invested $5,200,000 in equity in exchange for all of the membership interests. Of this sum, $5,000,000 was to be used by the SPE for the purchase of approved inventory. Profits from the SPE were to be distributed to the Manager and to the Company based on certain return thresholds, as defined in Limited Liability Company Agreement.

The Company and the Manager agreed to dissolve the SPE by April 30, 2018. All cash proceeds and remaining cash proceeds from inventory in the SPE went to the Manager, except for:

i. $20,000 of proceeds that went to the Company for reimbursement of expenses under the Services Agreement, with the Company waiving any other current or future fees under the Services Agreement and

ii. Approximately $13,000 for third party legal or accounting costs and filing fees for dissolving the SPE.

The Company provided all administrative, inventory and cash management services necessary to the SPE's daily operations pursuant to a Services Agreement entered into between the Company and the SPE. The Company and its personnel were not compensated for providing services to the SPE, and the Company was generally responsible for the costs of providing services to the SPE. However, the SPE was responsible for costs directly related to acquiring and refurbishing the SPE's inventory, shipping, certain tax accounting fees approved by the Manager, and other costs. The Services Agreement allowed the Company to purchase inventory for its account and not for the SPE's account until the Company had no available capital to purchase inventory.

The Company conducted an evaluation of its involvement with the SPE, which was considered to be a related party business entity in order to determine whether the SPE was a variable interest entity ("VIE") requiring consolidation or disclosure in the condensed consolidated financial statements of the Company. The SPE was determined to be a related party business entity because the Manager of the SPE was also the Lender to the Company's NPA, as described in Note 5. The Company evaluated the purpose for which the SPE was created and the nature of the risks in the entity as required by the guidance under ASC 810-10-25, "Consolidation." Based upon the Company's analysis, the Company concluded that it was not the primary beneficiary, and therefore, no consolidation was necessary.

Expense reimbursements (recovery) for the three months ended June 30, 2018 amounted to $(10,000), of which $(12,000) was recorded in cost of revenues and $2,000 was recorded in sales and marketing. Expense reimbursements for the three months ended June 30, 2017 amounted to $180,000, of which $106,000 was recorded in cost of revenues and $74,000 was recorded in sales and marketing. Expense reimbursements for the six months ended June 30, 2018 amounted to $78,000, of which $59,000 was recorded in cost of revenues and $19,000 was recorded in sales and marketing. Expense reimbursements for the six months ended June 30, 2017 amounted to $263,000, of which $161,000 was recorded in cost of revenues and $102,000 was recorded in sales and marketing. There were no profit distributions made to the Company from the SPE during the three and six months ended June 30, 2018 and 2017.

**Note 7 – Capital Lease Obligations**

We are obligated under capital leases under which the aggregate present value of the minimum lease payments amounted to $61,000. The present value of the minimum lease payments was calculated using a discount rate of 8.6%. The future minimum lease payments under the capital lease at June 30, 2018 is as follows:

| **Years ending December 31,** | |
|---|---|
| 2018 (remaining six months) | $9,306 |
| 2019 | 18,611 |
| 2020 | 18,611 |
| 2021 | 13,506 |
| 2022 | 549 |
| | 60,583 |
| Less: Amounts representing interest | 7,189 |
| Principal portion | 53,394 |
| Less: Current portion | 14,976 |
| Capital lease obligations, net of current portion | $38,418 |

The capital lease obligations are collateralized by underlying property and equipment. As of June 30, 2018, the gross amount of property and equipment under non-cancelable capital leases was $80,000 and the amount of accumulated amortization was $25,000.

**Note 8 - Commitments and Contingencies**

**Management Incentive Compensation Plan**

On July 27, 2016, the Company adopted its Management Incentive Compensation Plan (the “Incentive Plan”). The Incentive Plan provides that each quarter that the Company meets certain gross EBITDA thresholds, participants will be eligible to receive quarterly bonuses. The Incentive Plan is effective through September 2018. The Incentive Plan provides for minimum bonus eligibility thresholds set at quarterly

gross EBITDA levels that ensure that the Company will remain cash-flow positive and in compliance with all debt covenants over the term after payment of bonuses. If the Company does not meet the minimum EBITDA threshold in a given quarter, no bonus is payable under the Incentive Plan for that quarter. Bonuses will be subject to adjustment in the event the Company's year-end audit results in restatement of a prior quarter's EBITDA. Effective March 16, 2018, Mr. Nik Raman's base salary was reduced to $100,000 and Brian Tepfer and Scott Tepfer's base salaries were reduced to $150,000 per year. Each of them also agreed to waive any bonuses due to them under the Incentive Plan.

For the three months ended June 30, 2018 and 2017, a total of $0 and $180,000, respectively, was earned under the Incentive Plan. As of June 30, 2018 and December 31, 2017, $0 and $90,000 is included in accrued expenses.

**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 space for operations, sales, customer support and corporate purposes under a lease agreement that expires in August 2018, which it does not intend to renew. The Company also leases space for its warehouse and office under a lease that expires in September 2021. The leases contain provisions requiring the Company to pay maintenance, property taxes and insurance and require scheduled rent increases. Rent expense is recognized on a straight-line basis over the terms of the leases.

Rent expense, amounting to $85,000 and $84,000 for the three months ended June 30, 2018 and 2017, respectively, and $171,000 and $174,000 for the six months ended June 30, 2018 and 2017, respectively, is included in general and administrative expense in the accompanying condensed consolidated statements of operations.

**Note 9 - Stock-Based Compensation**

**Stock Option Grants**

The following table summarizes the Company's stock option activity for the six months ended June 30, 2018:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding - December 31, 2017 | 482,000 | $ 1.39 | 3.2 | $ — |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited or Canceled | (53,000 ) | (1.68 ) | | |
| Outstanding – June 30, 2018 | 429,000 | $ 1.36 | 2.6 | $ — |
| Exercisable – June 30, 2018 | 268,166 | $ 1.73 | 2.0 | $ — |

The Company recorded non-cash compensation expense of $16,000 and $8,000 for the three months ended June 30, 2018 and 2017, respectively, and $32,000 and $11,000 for the six months ended June 30, 2018 and 2017, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at June 30, 2018 amounts to $90,000 and is expected to be recognized over a weighted average period of 1.8 years.

The following table summarizes the Company's stock option activity for non-vested options for the six months ended June 30, 2018:

| | **Number of Options** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| Balance at December 31, 2017 | 240,832 | $ 0.59 |
| Granted | — | — |
| Vested | (53,331 ) | (0.62 ) |
| Forfeited or Canceled | (26,667 ) | (0.57 ) |
| Balance at June 30, 2018 | 160,834 | $ 0.59 |

**Warrants**

As of June 30, 2018 and December 31, 2017, there were 797,083 warrants outstanding and exercisable, with a weighted average exercise price of $3.19 per share. The weighted average remaining contractual life of the warrants outstanding and exercisable at June 30, 2018 and December 31, 2017 was 1.1 and 1.6 years, respectively, and the aggregate intrinsic value was $0.

The Company did not grant any warrants to purchase shares of common stock during the three and six months ended June 30, 2018 and 2017.

There was no expense pertaining to warrants recorded during the three and six months ended June 30, 2018 and 2017.

**Restricted Stock Awards and Restricted Stock Units**

During the six months ended June 30, 2018, the Company granted 12,000 fully vested shares of common stock to an advisor for services provided. The fair value of the common stock on the dates of grant ranged from $0.03 to $0.36 per share, based upon the closing market price on the grant dates. The aggregate grant date fair value of the awards amounted to $2,000, of which $500 and $2,000 was recorded as compensation expense during the three and six

months ended June 30, 2018, respectively.

During the three months ended March 31, 2018, the Company awarded 45,000 shares of restricted common stock to an employee for services provided. The restricted common stock vests quarterly over three years, beginning on the date of grant. The fair value of the common stock on the date of grant was $0.49 per share, based upon the closing market price on the grant date. The aggregate grant date fair value of the award amounted to $22,050, of which $2,000 and $4,000 was recorded as compensation expense during the three and six months ended June 30, 2018, respectively.

A summary of the restricted stock award and restricted stock unit activity for the six months ended June 30, 2018 is as follows:

| | **Number of Shares** |
|---|---|
| Unvested Outstanding at December 31, 2017 | 380,000 |
| Granted | 57,000 |
| Forfeited | (16,667) |
| Vested | (218,250) |
| Unvested Outstanding at June 30, 2018 | 202,083 |

The Company recorded non-cash compensation expense of $99,000 and $116,000 for the three months ended June 30, 2018 and 2017, respectively, and $150,000 and $231,000 for the six months ended June 30, 2018 and 2017, respectively.

Total unrecognized compensation expense related to unvested stock awards and unvested restricted stock units at June 30, 2018 amounts to $113,000 and is expected to be recognized over a weighted average period of 0.8 years.

**Note 10 – Customer and Vendor Concentrations**

**Customer Concentration**

During the three months ended June 30, 2018, no customers represented 10% or more of the Company’s revenues. During the three months ended June 30, 2017, one customer represented at least 10% of revenues, accounting for 11% of the Company’s revenues. During the three months ended June 30, 2018, 60%, 28% and 2% of the Company’s revenues, respectively, were originated in the United States, Europe and Hong Kong, respectively. During the three months ended June 30, 2017, 87%, 4% and 2% of the Company’s revenues, respectively, were originated in the United States, Europe and Hong Kong, respectively.

During the six months ended June 30, 2018, no customers represented 10% or more of the Company’s revenues. During the six months ended June 30, 2017, one customer represented at least 10% of revenues, accounting for 11% of the Company’s revenues. During the six months ended June 30, 2018, 60%, 29% and 3% of the Company’s revenues, respectively, were originated in the United States, Europe and Hong Kong, respectively. During the six months ended June 30, 2017, 58%, 26% and 12% of the Company’s revenues, respectively, were originated in the United States, Europe and Hong Kong, respectively.

At June 30, 2018, one customer represented at least 10% of accounts receivable, accounting for 13% of the Company’s accounts receivable. At December 31, 2017, two customers represented at least 10% of accounts receivable, accounting for 26% and 18% of the Company’s accounts receivable.

**Vendor Concentration**

During the three months ended June 30, 2018, three vendors represented 10% or more of purchases, accounting for 36%, 26% and 18% of the Company’s purchases. During the three months ended June 30, 2017, two vendors represented at least 10% of purchases, accounting for 73% and 11% of the Company’s purchases.

During the six months ended June 30, 2018, five vendors represented 10% or more of purchases, accounting for 33%, 24%, 14%, 13% and 10% of the Company’s purchases. During the six months ended June 30, 2017, two vendors represented at least 10% of purchases, accounting for 69% and 12% of the Company’s purchases.

At June 30, 2018 and December 31, 2017, one vendor represented 10% or more of accounts payable, accounting for 59% and 82% of accounts payable, respectively.

**Note 11 – Subsequent Events**

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure. Other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

On July 5, 2018, the Company entered into a Forbearance and Fourth Amendment Agreement, pursuant to which the Lender granted the Company a forbearance of existing remedies of its default under one of its financial covenants (the "Default") until September 30, 2018. Further, the Company entered into a Third Amended and Restated Secured Term Note, pursuant to which the operating margin requirements and debt coverage ratio under the NPA were amended. As consideration for entering into the amendment, the Company agreed to pay the Lender a sum of $187,500, which sum was added to the principal balance of the Note. As such, the principal balance of the Note was increased to $5,547,600. The maturity date for the NPA remains at January 13, 2020.

Pursuant to the amendment, the Company agreed to defer payment of all compensation owed to Nik Raman, Scott Tepfer, and the Company's financial consultants and lawyers until October 1, 2018, except for commission payments to Scott Tepfer.

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

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes appearing elsewhere in this report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under "Risk Factors" in the 2017 10-K.

The content included on uSell.com and wesellcellular.com is not incorporated in this report.

**Overview**

uSell is a large market maker of used smartphones. uSell acquires products from both individual sellers, on its website, uSell.com, and from major carriers, big box retailers, and manufacturers through its subsidiary, We Sell Cellular. The Company maximizes the value of these devices by reclassifying them, adding value to them, and moving them throughout the world to those who want them most. In order to serve its global and highly diverse customer base, uSell leverages both a traditional sales force and an online marketplace where professional buyers of used smartphones can buy inventory on-demand. Through participation on uSell's online platform and through interaction with uSell's salesforce, buyers can acquire high volumes of inventory in a cost effective manner, while minimizing risk.

**Device Acquisition**

uSell has two primary means of sourcing devices to satisfy demand from its global base of customers. The first source is through its wholly-owned subsidiary, We Sell Cellular, which was acquired in the fourth quarter of 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy used 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 through its highly experienced sales force. 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.

uSell's second method of sourcing devices is through its website, uSell.com, where individual consumers can find cash offers for their items based on the make, model, and condition of each item. Upon accepting an offer, consumers can ship their devices for free using either a prepaid shipping kit or shipping label, and then track the progress of their orders online from initiation to final payment of their devices. We have historically utilized consumer oriented advertising efforts, such as direct response television commercials and various forms of Internet advertising, to attract sellers to our website. However, during 2015, we decided to strategically reduce our marketing spend in favor of seeking out wholesale supply.

**Device Disposition**

We sell devices through three primary means:

- Utilizing our proprietary marketplace bidding platforms where buyers can source devices on demand
- Employing our highly experienced sales force to sell devices to its global client base
- Leveraging third party eCommerce platforms such as eBay and Amazon

While a minority of our product is sold directly to consumers via third party eCommerce platforms, the majority of our sales are to professional buyers. These buyers include brick and mortar retailers, online retailers, large and small wholesalers, small repair shops, large refurbishing providers, and insurance companies. Approximately sixty percent of our customer base is in the United States, with the balance abroad. We are able to provide all of our buyers with a low risk, cost-efficient way to acquire inventory. Through participation on uSell's online marketplace or through interaction with our salesforce, our buyers gain access to the high volume of devices that we acquire through both wholesale and retail means, without taking on the risk and investment involved in marketing directly to consumers or purchasing directly from carriers, big box retailers, and manufacturers.

**Revenue Model**

We generate revenue by either taking possession of devices and selling these devices for a premium ("Principal Device Revenue") or by facilitating transactions between buyers and sellers and collecting a commission ("Agent Commission Revenue"). The bulk of our revenue is from Principal Device Revenue.

Business derived from our uSell.com website utilizes an Agent Commission Revenue model, whereby we do not take possession of the devices that are sold to us by sellers, but rather facilitate transactions between these consumers and our network of professional buyers. Historically, some of the devices we acquired through our usell.com website utilized our Managed by uSell service, whereby we partnered with a third party logistics company to inspect and process devices before passing them along to buyers offering the highest prices for each device. Through this approach, we took possession of devices for a brief period of time before they were passed on to the ultimate buyer. However, by the end of 2016, we shut down our Managed by uSell service and shifted all of our business from

uSell.com to the Agent Commission Revenue model.

Devices sourced wholesale through our subsidiary, We Sell Cellular, are all bought and sold using the Principal Device Revenue model. Given that our wholesale sourcing channel is substantially larger than our retail sourcing channel, the vast majority of our business is characterized by the Principal Device Revenue approach.

**Critical Accounting Policies**

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the SEC, we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on the our financial condition. The accounting estimates involve certain assumptions that, if incorrect, could have a material adverse impact on our results of operations and financial condition. Our more significant accounting policies can be found in Note 2 of our unaudited interim condensed consolidated financial statements found elsewhere in this report and in our 2017 10-K. There have been no material changes to our Critical Accounting Policies during the period covered by this report.

**Results of Operations**

***2018 Financial Highlights***

Key financial metrics are as follows:

Revenues decreased by $5,379,000, or 22%, to $19,258,000 for the three months ended June 30, 2018, from $24,637,000 for the three months June 30, 2017.
Revenues decreased by $18,837,000, or 36%, to $33,432,000 for the six months ended June 30, 2018, from $52,269,000 for the six months June 30, 2017.
We had a gross profit of $603,000 for the three months ended June 30, 2018, compared to a gross profit of $992,000 for the same quarter of 2017.
We sustained a negative gross profit of $15,000 for the six months ended June 30, 2018, compared to a gross profit of $3,720,000 for the same period of 2017.
Operating loss decreased by $125,000, or 16%, to $677,000 for the three months ended June 30, 2018, from $802,000 for the three months ended June 30, 2017.
Operating loss increased by $2,416,000, or 933%, to $2,675,000 for the six months ended June 30, 2018, from $259,000 for the six months ended June 30, 2017.
Net loss for the three months ended June 30, 2018 was $984,000, compared to $1,148,000 for the three months ended June 30, 2017.
Net loss for the six months ended June 30, 2018 was $3,357,000, compared to $1,895,000 for the six months ended June 30, 2017.
Adjusted EBITDA, a non-GAAP financial measure, was $(212,000) for the three months ended June 30, 2018, compared to $(311,000) for the three months ended June 30, 2017. See “Non-GAAP Financial Measure - Adjusted EBITDA” below.
Adjusted EBITDA was $(1,790,000) for the six months ended June 30, 2018, compared to $706,000 for the six months ended June 30, 2017. See “Non-GAAP Financial Measure - Adjusted EBITDA” below.
We had a working capital deficit of $1,983,000 at June 30, 2018.

During the first six months of 2018, we faced substantial challenges due to our inventory position, which was primarily the result of two factors: Apple's atypical release of two devices in Q4 2017, which created a highly uncertain and volatile pricing environment, and disruptions in key global markets that lasted through the end of Q1 2018. By the middle of Q2 2018, we had liquidated all of our problem inventory, and the market had begun to rebound. As of the filing of this Quarterly Report, the global market has fully stabilized and we are seeing significantly higher margins than we experienced during the first six months of the year.

Despite challenging market conditions during the first half of the year, we made substantial progress along two fronts: we transitioned the vast majority of our We Sell Cellular business online and we dramatically diversified our supplier base. We believe that we have now completed all of the major components of our online platform and have validated the value of our approach. Since launching the platform, we have observed meaningful improvements in many of our key metrics regarding customer growth, customer loyalty, and sales velocity. We have begun the process of going to market with this technology in order to offer a new and much needed demand channel directly to our suppliers. We believe that our suppliers were also impacted negatively by the market events that occurred over the first six months of the year and are interested, more than ever, in new channels that can provide liquid demand at premium prices. We have amassed substantial data indicating that our platform can drive higher average selling prices than those of our suppliers, and we plan to expose this channel directly to one or more of our supply partners through technology integration. While we will continue to run our legacy "Proprietary Trading" business, we have scaled these operations down based on the market opportunity. Our goal, through this new "Platform Partnership" business model, is to develop a new, low risk, high margin line of business that leverages the processes and proprietary technology that we have developed over the last several years.

On the supplier side, we continued to deepen our relationships with existing suppliers, and are now seeing the benefits of a more diversified supplier base. We purchased from 6 suppliers in the quarter ended June 30, 2018, with our largest supplier's share of purchases decreasing to 36% of our purchases, compared to 73% during the same period in 2017.

On the finance side, our primary lender has requested that we seek to refinance our debt facility with a different party. As further described in Notes 5 and 11 to the financial statements, we failed to meet our operating margin covenant in the quarter ended March 31, 2018. We have signed a forbearance agreement with our lender until September 30, 2018 as we pursue opportunities to refinance the loan. Based on progress on our results and our refinancing efforts, the forbearance agreement (at the sole option of the lender) may be extended. We cannot assure you that we will get an extension from our lender or that we will refinance the loan.

In summary, despite industry-wide challenges towards the end of 2017 and into 2018, we have made substantial progress towards our technological vision. We intend to leverage our platform to create value for both our suppliers and our customers.

***Comparison of the Three and Six Months Ended June 30, 2018 to the Three and Six Months Ended June 30, 2017***

The following tables set forth, for the periods indicated, results of operations information from our unaudited interim condensed consolidated financial statements:

| | **Three Months Ended June 30,** | | **Change** | **Change** |
|---|---|---|---|---|
| | **2018** | **2017** | **(Dollars)** | **(Percentage)** |
| Revenue | $19,258,000 | $24,637,000 | $(5,379,000) | (22)% |
| Cost of Revenue | 18,655,000 | 23,645,000 | (4,990,000) | (21)% |
| Gross Profit | 603,000 | 992,000 | (389,000) | (39)% |
| Operating Expenses: | | | | |
| Sales and Marketing | 196,000 | 486,000 | (290,000) | (60)% |
| General and Administrative | 1,084,000 | 1,308,000 | (224,000) | (17)% |
| Total Operating Expenses | 1,280,000 | 1,794,000 | (514,000) | (29)% |
| Operating Loss | (677,000) | (802,000) | 125,000 | (16)% |
| Other Expense, Net | (307,000) | (346,000) | 39,000 | (11)% |
| Net Loss | $(984,000) | $(1,148,000) | $164,000 | (14)% |

| | Six Months Ended | | Change | Change |
|---|---|---|---|---|
| | June 30, | | | |
| | 2018 | 2017 | (Dollars) | (Percentage) |
| Revenue | $33,432,000 | $52,269,000 | $(18,837,000) | (36)% |
| Cost of Revenue | 33,447,000 | 48,549,000 | (15,102,000) | (31)% |
| Gross (Loss) Profit | (15,000) | 3,720,000 | (3,735,000) | (100)% |
| Operating Expenses: | | | | |
| Sales and Marketing | 477,000 | 1,085,000 | (608,000) | (56)% |
| General and Administrative | 2,183,000 | 2,894,000 | (711,000) | (25)% |
| Total Operating Expenses | 2,660,000 | 3,979,000 | (1,319,000) | (33)% |
| Operating (Loss) Income | (2,675,000) | (259,000) | (2,416,000) | 933% |
| Other Expense, Net | (682,000) | (1,636,000) | 954,000 | (58)% |
| Net Loss | $(3,357,000) | $(1,895,000) | $(1,462,000) | 77% |

**Revenue by Type**

The following table breaks down our revenue by type:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Principal Device Revenue | $19,169,000 | 0% | $24,480,000 | 99% |
| Agent Commission Revenue | 89,000 | 100% | 153,000 | 1% |
| Other | — | 0% | 4,000 | 0% |
| | $19,258,000 | 100% | $24,637,000 | 100% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Principal Device Revenue | $33,218,000 | 99 % | $51,922,000 | 99 % |
| Agent Commission Revenue | 213,000 | 1 % | 331,000 | 1 % |
| Other | 1,000 | 0 % | 16,000 | 0 % |
| | $33,432,000 | 100% | $52,269,000 | 100% |

Principal Device Revenue decreased by $5,311,000, or 22%, from $24,480,000 for the three months ended June 30, 2017 to $19,169,000 for the three months ended June 30, 2018. Principal Device Revenue decreased by $18,704,000, or 36%, from $51,922,000 for the six months ended June 30, 2017 to $33,218,000 for the six months ended June 30, 2018. The decrease in our Principal Device revenue resulted from our decision to scale down our Proprietary Trading business and purchase more opportunistically.

Agent Commission Revenue decreased by $64,000, or 42%, from $153,000 for the three months ended June 30, 2017 to $89,000 for the three months ended June 30, 2018. Agent Commission Revenue decreased by $118,000, or 36%, from $331,000 for the six months ended June 30, 2017 to $213,000 for the six months ended June 30, 2018. The decrease in Agent Commission Revenue is due to the decline in our uSell.com business, which has been deprioritized in favor of our wholesale business.

Due to the fact that devices sourced through We Sell Cellular are bought and sold using the Principal Device Revenue model, we anticipate that the percentage of the Agent Commission Revenue will remain minimal in the immediate future. However, if we gain traction with our Platform Partnership Model, this will change.

**Cost of Revenue**

Cost of revenue decreased by $4,990,000, or 21% from $23,645,000 for the three months ended June 30, 2017 to $18,655,000 for the three months ended June 30, 2018. Cost of revenue decreased by $15,102,000, or 31% from $48,549,000 for the six months ended June 30, 2017 to $33,447,000 for the six months ended June 30, 2018. As noted above, our revenue for these periods decreased by 22% and 36%, respectively, which caused a corresponding decrease in our cost of revenue.

Our gross profit was 3.1% for the three months ended June 30, 2018, compared to 4.0% for the three months ended June 30, 2017. Our gross margin loss was (0.0)% for the six months ended June 30, 2018, compared to a gross profit of 7.1% for the six months ended June 30, 2017. This loss was due to the atypical market phenomena that occurred towards the end of last year and into the first quarter of this year.

**Sales and Marketing Expenses**

Sales and marketing expense decreased $290,000, or 60%, from $486,000 during the three months ended June 30, 2017 to $196,000 during the three months ended June 30, 2018. Sales and marketing expense decreased $608,000, or 56%, from $1,085,000 during the six months ended June 30, 2017 to $477,000 during the six months ended June 30, 2018. The decrease is primarily attributable to the lower fees paid as a result of the decreased eBay sales during the three and six months ended June 30, 2018, compared to the three and six months ended June 30, 2017. Our primary sales and marketing expenses concentrated on paying out sales commissions and selling fees. Because the vast majority of our sales and marketing expenses are paid to third party selling platforms, such as eBay and Amazon, any increases or decreases in these expenses are directly tied to sales for the period.

**General and Administrative Expenses**

General and administrative expenses include professional fees for technology, legal and accounting services as well as consulting and internal personnel costs for our back office support functions. General and administrative expenses are impacted by non-cash compensation expense pertaining to stock grants and option grants for services. Non-cash compensation expense amounted to $115,000 and $124,000 for the three months ended June 30, 2018 ad 2017, respectively, and $182,000 and $242,000 for the six months ended June 30, 2018 ad 2017, respectively.

Excluding non-cash compensation expense, general and administrative expenses for the three months ended June 30, 2018 decreased by $215,000, or 18%, compared to the three months ended June 30, 2017. Excluding non-cash compensation expense, general and administrative expenses for the six months ended June 30, 2018 decreased by $651,000, or 25%, compared to the six months ended June 30, 2017. The decrease is mainly attributable to a decrease in payroll and payroll-related expenses.

**Other Expense**

Other expense during the three and six months ended June 30, 2018 and 2017 is comprised of interest expense attributable to the contractual interest expense and amortization of debt issue costs on the NPA.

**Non-GAAP Financial Measures - Adjusted EBITDA**

We make reference to “Adjusted EBITDA” which is a measure of financial performance not calculated in accordance with 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 Adjusted 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 Adjusted EBITDA as loss from operations before the items noted in the table below.

Management believes Adjusted EBITDA provides a meaningful representation of our operating performance that provides useful information to investors regarding our financial condition and results of operations. Adjusted 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 Adjusted EBITDA to be an important measure of operating performance, Adjusted 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, Adjusted EBITDA, as we define it, may not be comparable to EBITDA, or similarly titled measures, as defined by other companies.

The following table presents Adjusted EBITDA, a non-GAAP financial measure, and provides a reconciliation of Adjusted 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,** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Net loss | $(984,000) | $(1,148,000) | $(3,357,000) | $(1,895,000) |
| Stock-based compensation expense | 115,000 | 124,000 | 182,000 | 242,000 |
| Depreciation and amortization | 350,000 | 367,000 | 703,000 | 723,000 |
| Interest expense | 307,000 | 346,000 | 682,000 | 1,636,000 |
| Adjusted EBITDA | $(212,000) | $(311,000) | $(1,790,000) | $706,000 |

**Liquidity and Capital Resources**

At June 30, 2018, we had cash and cash equivalents of $276,000, a working capital deficit of $1,983,000 and an accumulated deficit of $74,046,000. In addition, we generated a net loss of $3,357,000 for the six months ended June 30, 2018. We do not yet have a sustained history of financial stability and may continue to generate operating losses for the foreseeable future. Since the acquisition of We Sell Cellular, we have relied on institutional debt to provide our working capital and complete the We Sell Cellular acquisition. Prior to the acquisition, our principal source of liquidity had been the issuances of convertible debt and equity securities (including to related parties), including preferred stock, common stock and various debt financing transactions. These conditions raise substantial doubt about the Company's ability to continue as a going concern through August 2019. Management plans to address this uncertainty through further implementation of its business plan or by continuing to raise funds through debt and/or equity. There can be no assurances that the plans and actions proposed by management will be successful or that unforeseen circumstances will not require additional funding sources in the future or effectuate plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all.

Our cash flow has been significantly impacted by the We Sell Cellular acquisition. On January 13, 2017, we entered into the NPA with a lender pursuant to which we issued the lender a secured term note in the principal amount of $8,660,000 at an original issue discount of 1%, for gross proceeds of $8,572,400. The NPA requires repayment of principal in January 2020 and bears interest at an annual rate of 15.00%, which interest is due and payable monthly in arrears. In addition, the lender from whom the Company borrowed the funds under the NPA, established an SPE with the Company. Under the SPE, the lender provided $5 million of equity capital to purchase smartphones and similar inventory. The Company entered into a Services Agreement with the SPE and was to provide all necessary services including inventory management. The Company was to receive a percentage of the SPE's profits, if any. We received no distributions from the SPE, which has been dissolved.

As a result of the downturn in our business relating in part to the disruptions in key global markets, we did not meet one of the financial covenants under the NPA and therefore we were in default under the agreement for the quarter ended March 31, 2018. On May 4, 2018, we entered into a Forbearance and Third Amendment Agreement, and on July 5, 2018, we entered into a Forbearance and Fourth Amendment Agreement, pursuant to which the Lender granted us a forbearance of existing remedies of our default under one of our financial covenants (the “Default”) until September 30, 2018. In addition, we amended the terms of our financial covenant related to our debt coverage ratio and repaid $3,304,068 of the NPA, inclusive of $4,068 of accrued interest. On May 4, 2018, we entered into a Second Amended and Restated Secured Term Note, pursuant to which the NPA’s interest rate was increased from 15.0% to 16.0% commencing June 1, 2018. On July 5, 2018, we entered into a Third Amended and Restated Secured Term Note, pursuant to which the operating margin requirements and debt coverage ratio under the NPA were amended. As consideration for entering into the amendment, we agreed to pay the Lender a sum of $187,500, which sum was added to the principal balance of the Note. As such, the principal balance of the Note was increased to $5,547,600. The maturity date for the NPA remains at January 13, 2020. We cannot provide assurance that we will be able to meet our financial covenants for the quarter ended September 30, 2018 and quarters thereafter and cannot provide assurance that the Lender will waive any potential default. If we are unable to obtain a waiver from the Lender, the Lender will be able to foreclose on all of our assets and we will have to cease operations.

In addition, the Company and the Manager dissolved the SPE. All cash proceeds and remaining cash proceeds from inventory in the SPE went to the Manager, except for:

i. $20,000 of proceeds to went to the Company for reimbursement of expenses under the Services Agreement, with the Company waiving any other current or future fees under the Services Agreement.
ii. Approximately $13,000 for third party legal or accounting costs and filing fees for dissolving SPE.

*Cash Flows from Operating Activities*

Operating activities provided $4,687,000 of cash during the six months ended June 30, 2018. Our net loss during the six months ended June 30, 2018 of $3,357,000 was offset by $703,000 of depreciation and amortization, $182,000 of stock-based compensation, and $80,000 of amortization of debt issue costs related to our NPA. Changes in operating assets and liabilities provided $7,079,000 of cash during the six months ended June 30, 2018.

Operating activities used $748,000 of cash during the six months ended June 30, 2017. Our net loss during the six months ended June 30, 2017 of $1,895,000 was offset by $723,000 of depreciation and amortization, $242,000 of stock-based compensation, and $1,027,000 of amortization of debt issue costs related to our NPA. Changes in

operating assets and liabilities used $845,000 of cash during the six months ended June 30, 2017.

*Cash Flows from Investing Activities*

During the six months ended June 30, 2018, we capitalized $262,000 of website development costs and purchased $5,000 of property and equipment.

During the six months ended June 30, 2017, we capitalized $270,000 of website development costs and purchased $9,000 of property and equipment.

*Cash Flows from Financing Activities*

During the six months ended June 30, 2018, we repaid $3,300,000 of principal under our NPA and made payments of $3,000 under our capital lease obligations.

During the six months ended June 30, 2017, we received $8,572,000 in proceeds under our NPA and paid $302,000 in costs associated with the NPA. In addition, we repaid $8,080,000 of principal under the previous facility and made payments of $6,000 under our capital lease obligations.

**Recent Accounting Pronouncements**

See Note 2 to our unaudited interim condensed consolidated financial statements regarding recent accounting pronouncements.

**Cautionary Note Regarding Forward-Looking Statements**

This report includes forward-looking statements including statements regarding liquidity, implementation of our business plan and platform, our ability to raise future capital, stabilization of the market and our future operations.

The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

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 our ability to refinance our debt, the continued viability of our new technology platform and suppliers willingness to use it, and the Risk Factors contained in our Annual Report for the year ended December 31, 2017. Further, we may be subject to internal matters affecting our lender. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable to smaller reporting companies.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act").

Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Changes in Internal Controls Over Financial Reporting***

There have not been any significant changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

From time to time, we are a party to, or otherwise involved in, legal proceedings arising in the normal and ordinary course of business. During the period covered by this report, there were no new legal proceedings nor any material developments to any legal proceedings previously disclosed.

**Item 1A. Risk Factors.**

Not applicable to smaller reporting companies.

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

In addition to those unregistered securities previously disclosed in filings with the SEC, we have issued shares of common stock which are not registered under the Securities Act of 1933 (the "Act"), as described below.

| Name or Class of Investor | Date Issued | No. of Securities | Consideration |
|---|---|---|---|
| Consultants (1) | April – July 2018 | 8,000 shares of common stock | Consulting services |

(1) Issued in reliance upon the exemption from registration contained in Section 4(a)(2) of the Act and Rule 506(b) promulgated thereunder.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

See the exhibits listed in the accompanying “Index to Exhibits.”

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | **uSell.com, Inc.** |
|---|---|
| August 14, 2018 | /s/ Nikhil Raman<br>Nikhil Raman<br>Chief Executive Officer and Chief Financial Officer<br>(Principal Executive Officer and Principal Financial Officer) |

**INDEX TO EXHIBITS**

| Exhibit No. | Exhibit Description | Incorporated by Reference Form | Date | Number | Filed or Furnished Herewith |
|---|---|---|---|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation, as amended | 10-K | 3/31/15 | 3.1 | |
| 3.2 | Second Amended and Restated Bylaws | 10-K | 3/30/17 | 3.2 | |
| 10.1 | Form of Forbearance and Fourth Amendment Agreement dated July 2, 2018*** | 8-K | 7/11/18 | 10.1 | |
| 10.2 | Form of Third Amended and Restated Secured Term Note dated July 2, 2018*** | 8-K | 7/11/18 | 10.2 | |
| 10.3 | Letter Agreement dissolving LLC | 10-Q | 5/21/18 | 10.3 | |
| 10.4 | Form of Forbearance and Third Amendment Agreement dated May 4, 2018 *** | 8-K | 5/10/18 | 10.1 | |
| 10.5 | Form of Second Amended and Restated Secured Term Note *** | 8-K | 5/10/18 | 10.2 | |
| 31.1 | Certification of Principal Executive Officer and Principal Financial Officer (302) | | | | Filed |
| 32.1 | Certification of Principal Executive and Principal Financial Officer (906) | | | | Furnished** |
| 101.INS | XBRL Instance Document | | | | Filed |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | Filed |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | Filed |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | Filed |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | Filed |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | Filed |

* Management contract or compensatory plan or arrangement.

** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

*** Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to our Corporate Secretary at 171 Madison Avenue, $17^{th}$ Floor, New York, New York 10016.