

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

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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	—	—

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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		Six Months Ended	
	June 30,		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)