PhoneX Holdings, Inc.

A Delaware Corporation

150 Executive Dr., Suite Q
Edgewood, NY 11717
212-213-6805
www.wesellcellular.com
nik@phonexinc.com
SIC Code: 7200

Annual Report

For the Period Ending: Dec 31, 2023
(The "Reporting Period")

The number of shares outstanding of our Common Stock was 35,975,493 as of March 28, 2024

The number of shares outstanding of our Common Stock was 36,129,904 as of December 31, 2023

Shell Status

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

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

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

Yes: ☐ No: ☒

Change of Control

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

[1] "Change in Control" shall mean any events resulting in:

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

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

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

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

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

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

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

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

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

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

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

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

150 Executive Dr., Suite Q
Edgewood, NY 11717

The address(es) of the issuer's principal place of business:
Check box if principal executive office and principal place of business are the same address: ☒

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

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

2) Security Information

Transfer Agent

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

Publicly Quoted or Traded Securities:

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

Trading symbol:	PXHI
Exact title and class of securities outstanding:	Common Shares
CUSIP:	71922R106
Par or stated value:	$0.0001 par value per share
Total shares authorized:	60,000,000 shares of common as of date: 03/28/2024

Total shares outstanding: 35,875,493 shares of common as of date: 03/28/2024
Total number of shareholders of record: 112 as of date: 03/28/2024

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

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

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

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

Security Description:

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

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

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

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

   N/A – no preferred shares issued or outstanding

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

   N/A

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

   N/A

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

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

A. Changes to the Number of Outstanding Shares

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

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

Shares Outstanding Opening Balance: Date 01/01/2022	Common: 43,124,002 Preferred: 0	*Right-click the rows below and select "Insert" to add rows as needed.							
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to ***You must disclose the control person(s) for any entities listed.**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
01/15/2022	Stock Purchase	(3,330,427)	Common	$0.925	No	See below	Stock Repurchase Agreement		
01/2022	Stock Purchase	(7,602)	Common	$0.87	No	See below	Stock Repurchase Plan		
02/10/2022	Stock Purchase	(168,659)	Common	$0.92	No	See below	Stock Repurchase Agreement		
02/2022	Stock Purchase	(5,200)	Common	$0.85	No	See below	Stock Repurchase Plan		
03/2022	Stock Purchase	(11,400)	Common	$0.71	No	See below	Stock Repurchase Plan		
04/2022	Stock Purchase	(4,400)	Common	$0.87	No	See below	Stock Repurchase Plan		
5/11/2022	New Issuance	90,000	Common	$0.70	No	See below	Employee stock plan		
06/2022	Stock Purchase	(400)	Common	$0.91	No	See below	Stock Repurchase Plan		
06/29/2022	Stock Purchase	(200,000)	Common	$0.15	No	See below	Stock Repurchase Plan		
08/3/2022	New Issuance	83,333	Common	$0.19	No	See below	Employee stock plan		
08/15/2022	Stock Purchase	(3,100)	Common	$0.98	No	See below	Stock Repurchase Plan		
9/15/2022	Stock Purchase	(22,100)	Common	$0.93	No	See below	Stock Repurchase Plan		

09/21/2022	Stock Purchase	(135,258)	Common	$0.90	No	See below	Stock Repurchase Plan		
10/15/2022	New Issuance	60,000	Common	$0.90	No	See below	Employee stock plan		
10/31/2022	Stock Purchase	(1,000)	Common	$0.915	No	See below	Stock Repurchase Plan		
10/2022	Stock Purchase	(2,062,984)	Common	$1.11	No	See below	Stock Repurchase Agreement		
11/1/2022	New Issuance	35,000	Common	$0.90	No	See below	Employee stock plan		
11/2022	Stock Purchase	(631,833)	Common	$1.15	No	See below	Stock Repurchase Agreement		
11/2022	Stock Purchase	(2,700)	Common	$1.02	No	See below	Stock Repurchase Plan		
12/2022	Stock Purchase	(136,666)	Common	$1.15	No	See below	Stock Repurchase Plan		
01/2023	Stock Purchase	(533,702)	Common	$1.15	No	See below	Stock Repurchase Agreement		
06/2023	Stock Purchase	(80,000)	Common	$1.00	No	See below	Stock Repurchase Plan		
11/30/2023	Stock Purchase	(13,000)	Common	$1.10	No	See below	Stock Repurchase Plan		
12/4/2023	Stock Purchase	(12,000)	Common	$1.10	No	See below	Stock Repurchase Plan		
12/01/2024	New Issuance	100,000	Common	$0.04	No	See below	Employee stock plan		
01/16/2024	Stock Purchase	(79,940)	Common	$1.00	No	See below	Stock Repurchase Plan		
02/01/2024	Stock Purchase	(74,471)	Common	$1.00	No	See below	Stock Repurchase Plan		
Shares Outstanding on Date of This Report: Ending Balance: Date 03/28/2024 Common: 35,975,493 Preferred: 0									

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

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

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

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

- In January 2022, the Company purchased 3,330,427 shares for a purchase price of $3,096,048 pursuant to board approved transaction with a major shareholder.
- In January 2022, the Company purchased 7,602 shares for a purchase price of $6,613 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In February 2022, the Company purchased 168,659 shares for a purchase price of $155,166 pursuant to its stock repurchase program.
- In February 2022, the Company purchased 5,200 shares for a purchase price of $4,405 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In March 2022, the Company purchased 11,400 shares for a purchase price of $8,428 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In April 2022, the Company purchased 4,400 shares for a purchase price of $3,837 pursuant to its stock repurchase plan.
- In May 2022, the Company issued 90,000 shares to employees in exchange for $63,000 pursuant to the exercise of options.
- In June 2022, the Company purchased 400 shares for a purchase price of $364 pursuant to its stock repurchase plan. These shares are currently held as treasury stock.
- In June 2022, the Company purchased 200,000 shares for a purchase price of $15,000 pursuant to its stock repurchase program.
- In August 2022, the Company issued 83,333 shares to employees in exchange for $16,333 pursuant to the exercise of options.
- In August 2022, the Company purchased 3,100 shares for a purchase price of $3,023 pursuant to its stock repurchase program.
- In September 2022, the Company purchased 157,358 shares for a purchase price of $142,344 pursuant to its stock repurchase program.
- In October 2022, the Company purchased 1,000 shares for a purchase price of $915 pursuant to its stock repurchase program.
- In October 2022, the Company issued 60,000 shares to employees as part of its employee stock plan.
- In November 2022, the Company issued 35,000 shares to a director in exchange for $31,500 pursuant to the exercise of options.
- During the period beginning October 7, 2022 and ending on November 1, 2022, the Company entered into a series of agreements whereby it repurchased 2,062,984 shares of common stock from 11 shareholders including one director and related parties in exchange for paying the shareholders $2,285,421.60. Immediately following the repurchase, the director resigned from the board of directors.
- In November 2022, the Company purchased 631,833 shares of its common stock for $726,607.
- In November 2022, the Company purchased 2,700 shares of its common stock via its stock re-purchase plan for $2,750.
- In December 2022, the Company purchased 136,666 shares of its common stock via its stock re-purchase plan for $157,165.
- In January 2023, the Company purchased 533,702 shares of its common stock from 3 related shareholders for a purchase price of $613,757.
- In June 2023, the Company purchased 80,000 shares of its common stock for a purchase price of $80,000.
- In November 2023, the Company purchased 13,000 shares of its common stock for a purchase price of $14,300.
- In December 2023, the Company purchased 12,000 shares of its common stock for a purchase price of $13,200.
- In December 2023, the Company issued 100,000 shares to employees as part of its employee stock plan for an average exercise price of $0.04

- In January 2024, the Company purchased 79,940 shares of its common stock for a purchase price of $79,940.
- In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of $74,471.

B. Promissory and Convertible Notes

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

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

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

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

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

4) Issuer's Business, Products and Services

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

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

PhoneX Holdings, Inc. is building the dominant cloud based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. The Company operates two distinct models: 1) a Proprietary Trading Model, through which it purchases devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) a Platform Partnership Model, through which it enables its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX enables mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand.

2023 Financial Highlights

Key financial metrics are as follows:

- Revenues increased by $30,220,000, or 20.3%, to $179,410,000 for the year ended December 31, 2023, from $149,190,000 for the year ended December 31, 2022.
- Gross profit decreased by $3,449,000, or 19.6% to $14,146,000 for the year ended December 31, 2023, from $17,595,000 for the year ended December 31, 2022.
- Operating income decreased by $4,259,000, or 43.1% to $5,630,000 for the year ended December 31, 2023, from $9,889,000 for the year ended December 31, 2022.
- Net Income decreased by $1,929,000, or 23.1% to $6,406,000 for the year ended December 31, 2023 from $8,335,000 for the year ended December 31, 2022.
- Adjusted EBITDA, a non-GAAP financial measure decreased by $4,573,000 to $6,061,000 for the year ended December 31, 2023 compared to $10,634,000 for the year ended December 31, 2022. See "Non-GAAP Financial Measure - Adjusted EBITDA" below.

- The Company had working capital of $18,026,000 at December 31, 2023 vs. working capital of $13,637,000 at December 31, 2022.

The Company's Proprietary Trading business experienced lower margins in 2023, as trade-in volumes were lower than during the same period in 2022. Management believes that this reduction was due to a muted launch of Apple's iPhone 14 series. Due to a reduction in available supply compared to prior years and an inflow of new entrants into the market over the last few years, it was more challenging to procure supply at attractive margins, and device margins on sales reduced sharply. While preliminary data from the iPhone 15 launch indicate higher trade in volumes than the iPhone 14, the Company continues to experience lower margins in its Proprietary Trading business, likely due to heightened competition. In an effort to expand the Company's market share, and despite the lower margin environment, management will continue to seek strategies to expand the Company's reach. We believe that we can leverage our scale and technological advantages to drive efficiencies and gain advantage over less efficient, more thinly capitalized competitors. In particular, the Company has made substantial strides in building out a remanufacturing operation that it believes will result in long-term market share expansion and margin growth. This endeavor has already begun to generate positive economic value for the Company. We have also embarked on a lean transformation of our distribution center to reduce our costs. To drive these initiatives, the Company will make investments in personnel and infrastructure during the upcoming quarters. The success of We Sell Cellular's growth strategy depends on its ability to execute and its ability to continue to scale its volumes despite uncertain market conditions.

The Company continued to generate meaningful software revenue in 2023 via licensing agreements effected through its PhoneX, Inc. subsidiary. Management will focus on growing Software Licensing Revenue related to its Platform Partnership business while investing in long-term growth. Our goal is to transform into a scalable cloud-based software company generating high-margin, recurring revenues. The Company has completed a redesign of its software, with a particular focus on scalability, internationalization, and multi-tenancy. This investment has substantially expanded our total addressable market, as we can now license our SaaS product to distributors of all sizes throughout the world. In addition, earlier in the year the Company launched PhoneX Connect, a service that enables smaller resellers to connect to and pre-sell inventory of larger suppliers. PhoneX Connect enables larger suppliers, like We Sell Cellular, to expand distribution while enabling smaller resellers to grow without a substantial investment in inventory. Our initial test of PhoneX Connect with We Sell Cellular has been a success, and we are now adding additional suppliers to the network. In addition to several implementations, we have a growing pipeline of both large and enterprise clients that plan to license our technology and leverage PhoneX Connect.

The Company plans to continue to invest in technologies that enhance multi-tenancy, internationalization, high-availability, and scalability. All of our initiatives are geared toward increasing the long-term value of the enterprise. We have made substantial strides on our machine learning initiatives, which seek to develop algorithms to assist our customers in making intelligent pricing decisions. Furthermore, we are starting development of an industry-specific Warehouse Management tool that will integrate seamlessly with our existing products. This product will enable clients to dynamically route inventory through their processing, polishing, and repair operations, enabling them to maximize value and collect data at every step of the reverse-manufacturing process. We believe that there are hundreds of potential clients for this product in the mobile device industry alone. We also believe that the problems solved by our WMS apply to any remanufacturing business.

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

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including statements regarding the Company's efforts to build the dominant cloud based software as a service solution for the wholesale exchange of pre-owned mobile devices, our plans to leverage our scale and technological advantage, our goals with PhoneX Connect, expected licensing of our technology, our increasing our long-term shareholder value, and the scope of the potential market for our Warehouse Management tool. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include the risks arising from sales of iPhone 15 and future iPhone launches, our ability to continue to procure higher volumes of devices at favorable prices, potential adverse effects of increased interest rates in response to inflation, and continued uncertainty in the financial sector and national and global economies, the continued demand for mobile devices and infrastructure and software offerings on which our business focuses and depends which may, among other factors, be negatively affected by a recession and is dependent on mobile phone manufacturers and other third parties which are beyond our control, the possibility that our efforts to grow our business and the perceived benefits of these efforts do not come to fruition, including due to inaccurate or incomplete assumptions, expectations or estimates on which our growth strategies are based and despite the potential deployment of substantial capital and other resources towards such efforts, which may, among other things, be adversely impacted by the risks and contingencies outlined elsewhere in this report, and our ability to continue to effectively navigate challenges posed by the complex industries we serve including the potential for rapid and unpredictable technological change, regulatory burdens and an intense competitive environment. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

Non-GAAP Financial Measure - EBITDA

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

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

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

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

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

	Year Ended December 31,	
	2023	**2022**
Net income (loss)	$ 6,406,000	$ 8,335,000
Stock-based compensation expense	330,000	305,000
Depreciation and amortization	101,000	437,000
Interest expense	-	-
Interest income	(90,000)	(20,000)
Income Tax Expense (Benefit)	(686,000)	1,577,000
Adjusted EBITDA	$ 6,061,000	$ 10,634,000

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

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

C. Describe the issuers' principal products or services.

PhoneX Holdings operates two distinct business models. The first is characterized by a Proprietary Trading Model, through which the Company purchases devices via its wholly owned subsidiary, We Sell Cellular LLC, which was acquired in 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy pre-owned smartphones that have been traded in with the major carriers and the big box retailers, fully inspect and grade these devices, and then sell these devices wholesale and retail to a global customer base. These customers include brick and mortar retailers, online retailers, large and small wholesalers, small repair shops, and large refurbishing providers. Approximately 50% of We Sell Cellular's customer base is in the United States, with the balance abroad.

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

Revenue Model

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

Business derived from its PhoneX Inc. licensing agreements generates not only Software Licensing Revenue but also Services Revenue, as PhoneX Inc. may provide integration services to new partners during an initial integration period. Devices sourced wholesale through PhoneX Holdings' subsidiary, We Sell Cellular, are all bought and sold using the Principal Device Revenue model.

5) Issuer's Facilities

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

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

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

6) All Officers, Directors, and Control Persons

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

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

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

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Nikhil Raman	Chief Executive Officer, Director	Brooklyn, New York	6,004,218	Common	16.7%	
Scott Tepfer	Executive Vice President, Director	Edgewood, New York	3,000,000	Common	8.3%	
Robert Averick(1)(2)	Director	Stamford, Connecticut	13,731,666	Common	38.2%	
Piton Capital Partners LLC (1)	5% owner	Stamford, Connecticut	12,482,666	Common	34.7%	
Gerald Unterman	5% owner	New York, New York	5,091,016	Common	14.2%	

1) Mr. Robert Averick shares the power to vote and dispose of the shares beneficially owned by Piton Capital Partners, LLC. The address is listed as 201 Tresser Blvd., 3rd floor, Stamford, CT.
2) Mr. Averick's shares also include 850,000 shares owned by two entities over which he shares the power to vote and sell, and 399,000 shares he holds individually. Mr. Averick's beneficial ownership gives effect to shares issuable upon exercise of 35,000 vested options awarded.

7) Legal/Disciplinary History

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

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

No

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

No

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

No

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

<u>No</u>

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

<u>No</u>

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

<u>No</u>

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

None.

8) Third Party Providers

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

<u>Securities Counsel (must include Counsel preparing Attorney Letters).</u>

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

<u>Accountant or Auditor</u>

Name:	Kieron M. Ludde
Firm:	Hill, Barth & King LLC
Address 1:	3 Crossways Park Dr W, Suite 100
Address 2:	Woodbury, NY 11797
Phone:	(516) 822-5000
Email:	KLudde@hbkcpa.com

<u>Investor Relations Consultant – N/A</u>

All other means of Investor Communication:

X (Twitter):	<u>None</u>
Discord:	<u>None</u>
LinkedIn:	<u>None</u>
Facebook:	<u>None</u>
Other:	<u>None</u>

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

9) Disclosure & Financial Information

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

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

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

☒ U.S. GAAP
☐ IFRS

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

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

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

Provide the following qualifying financial statements:

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

10) Issuer Certification

Principal Executive Officer:

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

The certifications shall follow the format below:

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending December 31, 2023;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/31/2023

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

___/s/ Nikhil Raman________________

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

Principal Financial Officer:

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending December 31, 2023;

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/31/2023

_____/s/ Nikhil Raman________________

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

PHONEX HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

DECEMBER 31, 2023 AND 2022

Index to Consolidated Financial Statements

PhoneX Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
Years Ended December 31, 2023 and 2022

	December 31, 2023 (unaudited)	December 31, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 6,266,946	$ 4,964,172
Accounts receivable, net	3,823,715	2,782,178
Inventory	10,227,611	8,188,733
Prepaid expenses and other current assets	159,482	136,510
Total Current Assets	**20,477,754**	**16,071,593**
Property and equipment, net	264,425	124,303
Intangible assets, net	—	—
Capitalized technology, net	—	—
Deferred Tax Asset Non-Current (net)	2,286,000	801,000
Operating lease right-of-use asset	735,380	995,937
Other assets	40,775	40,775
Total Assets	**$ 23,804,334**	**$ 18,033,608**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 479,755	$ 339,355
Accrued expenses	1,230,429	879,731
Deferred revenue	475,219	960,806
Operating lease liability, current portion	266,203	254,638
Total Current Liabilities	**2,451,606**	**2,434,530**
Operating lease liability, net of current portion	494,089	760,292
Total Liabilities	**2,945,695**	**3,194,822**
Stockholders' Equity:		
Preferred stock; $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock; $0.0001 par value; 60,000,000 shares authorized; 36,201,112 and 36,668,606 shares issued and outstanding, respectively	3,621	3,688
Treasury Stock	(7)	(21)
Additional paid-in capital	72,897,877	73,284,262
Accumulated deficit	(52,042,852)	(58,449,143)
Total Stockholders' Equity	**20,858,639**	**14,838,786**
Total Liabilities and Stockholders' Equity	**$ 23,804,334**	**$ 18,033,608**

See accompanying notes to the condensed consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	Year Ended December 31,	
	2023	**2022**
Revenue	$ 179,410,064	$ 149,190,454
Cost of Revenue	165,263,312	131,594,539
Gross Profit	**14,146,752**	**17,595,915**
Operating Expenses:		
Sales and marketing	1,073,798	903,924
General and administrative	7,442,921	6,799,458
Total operating expenses	8,516,719	7,703,382
Income from Operations	**5,630,033**	**9,892,533**
Other Income (Expense):		
Interest income	89,952	19,655
Interest expense	—	(3)
Other income	—	—
Total Other Expense, Net	**89,952**	**19,652**
Income before income tax (expense) benefit	**5,719,985**	**9,912,185**
Current income tax expense	—	**(1,637,898)**
Deferred tax benefit	**686,306**	**61,000**
Net Income	**$ 6,406,306**	**$ 8,335,287**
Basic and Diluted Income per Common Share:		
Net income per common share – basic	**$ 0.18**	**$ 0.21**
Net income per common share – diluted	**$ 0.17**	**$ 0.21**
Weighted average number of common shares outstanding during the period – basic	**36,120,195**	**39,109,854**
Weighted average number of common shares outstanding during the period – diluted	**36,847,307**	**39,761,320**

See accompanying notes to the condensed consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock, $0.0001 Par Value		Treasury Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Equity (Deficit)
Balance, January 1, 2022	**43,137,308**	**$4,314**	**(13,306)**	$(1)	**$79,512,089**	**$(66,784,430)**	**$12,731,972**
Stock based compensation	60,000	6			304,807		304,813
Repurchase and retirement of common stock	(6,550,569)	(655)			(6,484,797)		(6,485,452)
Stock Options Exercised	228,333	23			124,812		124,835
Treasury Stock			(193,160)	(20)	(172,649)		(172,669)
Net Income						8,335,287	8,335,287
Balance, January 1, 2023	**36,875,072**	**$3,688**	**(206,466)**	**$ (21)**	**$73,284,262**	**$(58,449,143)**	**$14,838,786**
Stock based compensation					330,518		330,518
Repurchase and retirement of common stock	(773,960)	(77)			(721,193)		(721,271)
Stock Options Exercised	100,000	10			4,290		4,300
Treasury Stock			135,258	14			14
Net Income						6,406,291	6,406,291
Balance, December 31, 2023	**36,201,112**	**$3,621**	**(71,208)**	$ (7)	**$72,897,877**	**$(52,042,852)**	**$20,858,639**

See accompanying notes to condensed consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	Year Ended December 31,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,406,291	$ 8,335,287
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	100,813	436,720
Deferred tax benefit	(1,485,000)	61,000
Stock based compensation	330,519	304,813
Changes in operating lease right-of-use asset	272,875	272,877
Changes in operating assets and liabilities:		
Accounts receivable	(1,041,537)	(1,129,629)
Inventory	(2,038,878)	383,036
Prepaid expenses and other current assets	(22,972)	42,464
Other assets	—	400
Accounts payable	140,400	124,266
Accrued expenses	350,698	(32,915)
Deferred revenue	(485,587)	(67,212)
Operating lease liability	(266,956)	(259,185)
Net Cash and Cash Equivalents Provided By Operating Activities	**2,260,666**	**8,349,922**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase property and equipment	(240,935)	(94,507)
Net Cash and Cash Equivalents Used In Investing Activities	**(240,935)**	**(94,507)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment for repurchase and retirement of common stock	(721,271)	(6,485,452)
Stock options exercised	4300	124,835
Payment of capital lease obligations	—	(546)
Purchase of treasury stock	14	(172,669)
Net Cash and Cash Equivalents Provided By (Used In) Financing Activities	**(716,957)**	**(6,533,831)**
Net Increase in Cash and Cash Equivalents	1,302,774	1,721,583
Cash and Cash Equivalents - Beginning of Year	4,964,172	3,242,589
Cash and Cash Equivalents - End of Year	**$ 6,266,946**	**$ 4,964,172**
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Taxes	$ 929,125	$ 1,544,730
Noncash investing and financing transactions:		
Operating lease right-of-use acquired	$ --	$ 1,254,525
Operating lease liabilities assumed	$ --	$ 1,259,827

See accompanying notes to the condensed consolidated financial statements.

Note 1 - Organization and Business

PhoneX Holdings, Inc. is building the dominant cloud based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. PhoneX Holdings, Inc., HD Capital Holdings, LLC, PhoneX Inc., and We Sell Cellular, LLC (collectively, the "Company"), operates two distinct models: 1) a Proprietary Trading Model, through which it purchases devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) a Platform Partnership Model, through which it enables its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX enables mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand.

Liquidity

At December 31, 2023, the Company had cash and cash equivalents of $6,266,946, working capital of $18,026,148 and an accumulated deficit of $52,042,852. In addition, the Company generated net income of $6,406,291 and cash generated by operating activities amounted to $2,260,066 for the year ended December 31, 2023. Historically, the principal source of liquidity has been the issuance of debt and equity securities. The Company does not believe it will need to raise additional funds in order to meet expenditures required for operating its business.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable represent obligations from the Company's customers and are recorded net of allowances for cash discounts, doubtful accounts, and sales returns. The Company's policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are written off after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was $64,595 and $2,892 at December 31, 2023 and December 31, 2022, respectively.

Inventory, net

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

Allowances for slow-moving or obsolete inventory are provided based on historical experience of a variety of factors, including sales volume, product life and levels of inventory at the end of the year. The inventory reserve was approximately $167,000 and $58,000 as of December 31, 2023 and December 31, 2022, respectively.

Substantially all of the Company's inventory purchases are paid for before inventory is received in the Company's warehouse. Prepaid inventory amounted to approximately $1,574,000 and $293,000 at December 31, 2023 and December 31, 2022, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

Property and Equipment

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

Intangible Assets

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

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

The Company periodically reviews the carrying values of its intangible assets and other long-lived assets when events or changes in circumstances indicate that it is more likely than not that their carrying values may exceed their fair values, and records an impairment charge when considered necessary. When circumstances indicate that an impairment of value may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying amount of the asset over its estimated fair value, is recognized. The cash flow estimates used in such calculations are based on estimates and assumptions, using all available information that management believes is reasonable. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. During the periods ended December 31, 2023 and 2022, the Company noted no indicators of impairment.

Leases

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

During 2022, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of January 1, 2022. Upon adoption the Company recorded approximately $1,260,000 for right-of-use asset and lease liabilities. The Company did not apply the new standard to comparative periods and therefore, those amounts are not presented below.

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

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

Capitalized Technology Costs

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

Convertible Instruments

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

a) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,

b) The hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur, and

c) A separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to certain requirements (except for when the host instrument is deemed to be conventional).

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

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

Finally, if necessary, the Company will determine the existence of liquidated damage provisions. Liquidated damage provisions are not marked to market, but evaluated based upon the probability that a related liability should be recorded. There was no bifurcation or liquidated damage provisions at December 31, 2023 and December 31, 2022.

Common Stock Purchase Warrants and Derivative Financial Instruments

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

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

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

The Company assesses classification of its common stock purchase warrants and other freestanding derivatives at the reporting date to determine whether a change in classification between assets and liabilities is required. The Company determined that its outstanding common stock purchase warrants satisfied the criteria for classification as equity instruments at December 31, 2023 and December 31, 2022.

Revenue Recognition

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

Principal Device Revenue

The Company, through its subsidiary We Sell Cellular, generates revenue from the sales of its cellular telephones and related equipment. The Company recognizes revenue "FOB shipping point" on such sales. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer when the products leave the Company's warehouse. Payment terms generally require payment once an order is placed. The Company allows customers to return product within 30 days of shipment if the product is defective. Allowances for product returns are recorded as a reduction of sales at the time revenue is recognized based on historical data. The estimate of the allowance for product returns amounted to $581,000 and $314,000 at December 31, 2023 and December 31, 2022, respectively, and is recorded in accrued expenses in the accompanying consolidated balance sheets.

Software Licensing Revenue

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

Deferred Revenue

Deferred revenue represents amounts billed to customers or payments received from customers prior to providing services and for which the related revenue recognition criteria have not been met.

Shipping and Handling Costs

The Company follows the provisions of ASC Topic 605-45 regarding shipping and handling costs. Shipping and handling costs included in cost of revenue were approximately $844,000 and $761,000 for the year ended December 31, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately $360,000 and $228,000 for the year ended December 31, 2023 and 2022, respectively.

Share-Based Payment Arrangements

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

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

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

Income Taxes

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

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

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

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of December 31, 2023 and December 31, 2022.

Concentration of Credit Risk

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

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. At times, the Company's cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 per institution, per entity. At December 31, 2023 and December 31, 2022, the Company had approximately $5,023,000 and $4,100,000, respectively, in excess of the FDIC limits.

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

Deferred Rent

The Company entered into an operating lease agreement that contains provisions for future rent increases, or periods in which rent payments are reduced (abated). The Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to *deferred rent*, which is reflected as a separate line item in the accompanying balance sheets.

New accounting pronouncements

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

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

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2023 and 2022:

	December 31,	
	2023	**2022**
Machinery and equipment	$ 379,226	$ 190,008
Leasehold improvements	224,231	172,515
	603,457	362,523
Less: Accumulated depreciation and amortization	(339,032)	(238,220)
Property and equipment, net	$ 264,425	$ 124,303

Related depreciation and amortization expense on property and equipment amounted to approximately $77,303 and $31,000 for the years ended December 31, 2023 and 2022, respectively.

Note 4 – Intangible Assets, Net

Intangible assets, net at December 31, 2023 and 2022 is as follows:

	Life, in years	December 31, 2023	December 31, 2022
Trade Name	7	$ 2,622,000	$ 2,622,000
		2,622,000	2,622,000
Less: Accumulated amortization		(2,622,000)	(2,622,000)
Intangible assets, net		$ 0	$ 0

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense amounted to $0 and $312,000 for the each of the years ended December 31, 2023 and 2022, respectively and is included in general and administrative expenses in the accompanying consolidated statements of operations.

There is no future estimated amortization expense.

Note 5 – Capitalized Technology, Net

Capitalized technology consists of the following at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Gross value	$ 2,268,502	$ 2,268,502
Accumulated amortization	(2,268,502)	(2,268,502)
Net value	$ 0	$ 0

Capitalized technology is amortized on a straight-line basis over their estimated useful lives of three years. Amortization expense amounted to approximately $0 and $274,000 for the years ended December 31, 2023 and 2022, respectively, and is included in cost of revenue.

There is no future estimated amortization expense.

Note 6 – Capital Lease Obligations

The Company was obligated under a capital lease which expired during 2022.

The capital lease obligations were collateralized by underlying property and equipment. As of December 31, 2022, the gross amount of property and equipment purchased under the capital lease was approximately $80,000 and the amount of accumulated amortization was approximately $80,000.

Note 7 - Commitments and Contingencies

Legal Proceedings

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

Operating Leases

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

The table below presents the lease-related assets and liabilities recorded on the accompanying consolidated balance sheets as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Assets			
Noncurrent	Operating lease right-of-use asset	$ 735,380	$ 995,937
Liabilities			
Current	Operating leases – current portion	266,203	254,638
Noncurrent	Operating leases – long-term portion	494,089	760,292
Total Operating lease liabilities		760,292	1,014,930
Weighted-average remaining lease term			4 years
Weighted-average discount rate			1.37%

Other Information

The table below presents supplemental cash flow information related to leases for the years ended December 31, 2023 and 2022, respectively:

	December 31, 2023	December 31, 2022
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash operating lease expense	$ 272,877	$ 272,877
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Payments of operating lease liability	$ 266,958	$ 259,185

Undiscounted Cash Flows

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023 is approximately as follows:

2024	$	274,962
2025		283,209
2026		217,152
Total minimum lease payments		775,323
Less: amount representing interest		15,031
Present value of lease liabilities	$	760,292

Note 8 - Stock-Based Compensation

Stock Option Grants

On December 5, 2018, the board of directors of the Company adopted the 2018 Equity Incentive Plan (the "Equity Incentive Plan"). Employees, directors and consultants of the Company and its affiliates are eligible to participate in the Equity Incentive Plan. The Equity Incentive Plan is administered by the Committee of the Board or the full Board during such times as no committee is appointed by the Board or during such times as the Board is acting in lieu of the committee (in either case, the "Committee"). The Equity Incentive Plan provides for the grant of equity-based compensation in the form of incentive stock options, nonqualified stock options, stock appreciation rights and restricted awards. An aggregate of 3,500,000 shares of the Company's common stock are authorized for issuance under the Equity Incentive Plan, of which there were 1,939,164 shares of common stock available for issuance under the Equity Incentive Plan as of December 31, 2022. The Equity Incentive Plan replaces the Company's 2008 Equity Incentive Plan, and no further awards will be made pursuant to such plan.

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. The valuation determined by the Black-Scholes pricing model is affected by the Company's stock price, as well as assumptions regarding a number of highly complex and subjective variables. The stock price is listed on the Over-the-Counter market and represents the fair value the company's stock price. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The risk-free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average of the Company's long-term implied volatility, the expected life is based on the estimated average of the life of options using the simplified method, and forfeitures are estimated on the date of grant based on certain historical data. The Company utilizes the simplified method to determine the expected life of its options due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

On May 18, 2023, the Company granted 50,000 stock options to an employee for future services. These options had a fair value of $77,500, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.94%
Expected dividend yield	0%
Expected volatility	291.50%
Expected term	3.5 years

The options are exercisable over a five-year term and vest over three years. The Company recorded $0 during the year ended December 31, 2023 as compensation expense pertaining to these grants as they were cancelled during the third quarter of 2023.

On December 13, 2023, the Company granted 395,000 stock options to nine employee for future services. These options had a fair value of $375,250, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.18%
Expected dividend yield	0%
Expected volatility	283.20%
Expected term	3.5 years

The options are exercisable over a five-year term and vest over three years. The Company recorded $0 during the year ended December 31, 2023 as compensation expense pertaining to these grants.

On January 25, 2022, the Company granted 100,000 stock options to an employee for future services. These options had a fair value of $90,000, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.28%
Expected dividend yield	0%
Expected volatility	312.90%
Expected term	3.5 years

The options are exercisable over a five-year term and vest over three years. The Company recorded $30,000 during the year ended December 31, 2023 as compensation expense pertaining to these grants.

On March 18, 2022, the Company granted 70,000 stock options to two directors for future services. These options had a fair value of $46,900, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.15%
Expected dividend yield	0%
Expected volatility	310.40%
Expected term	3.5 years

The options are exercisable over a five-year term and vested as of December 31, 2022. These options were fully expenses during the year ended December 31, 2022.

On April 4, 2022, the Company granted 50,000 stock options to an employee for future services. These options had a fair value of $45,000, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.67%
Expected dividend yield	0%
Expected volatility	309.60%
Expected term	3.5 years

The options are exercisable over a five-year term and vest over three years. The Company recorded $15,000 during the year ended December 31, 2023 as compensation expense pertaining to these grants.

On December 9, 2022, the Company granted 350,000 stock options to seven employee for future services. These options had a fair value of $385,000, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.10%
Expected dividend yield	0%
Expected volatility	298.10%
Expected term	3.5 years

The options are exercisable over a five-year term and vest over three years. The Company recorded $128,340 during the year ended December 31, 2023 as compensation expense pertaining to these grants

The following table summarizes the Company's stock option activity for the year ended December 31, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding – December 31, 2022	1,485,000	$ 0.70	1.23	$ 264,400
Granted	445,000	$ 0.97	3.0	--
Exercised	(100,000)			
Forfeited or canceled	(50,000)			
Outstanding – December 31, 2023	1,780,000	$ 0.79	2.2	$ 525,467
Exercisable – December 31, 2023	919,983	$ 0.62	2.5	$ 261,067

The Company recorded non-cash compensation expense of $330,518 and $250,013 for the twelve months ended December 31, 2023 and 2022, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at December 31, 2023 amounts to $806,172 and is expected to be recognized over a weighted average period of 2.1 years.

The following table summarizes the Company's stock option activity for non-vested options for the twelve months ended December 31, 2023:

	Number of Options	Weighted Average Grant Date Fair Value
Balance at December 31, 2022	864,585	$ 0.90
Granted	445,000	0.95
Vested	(399,168)	(0.43)
Forfeited or canceled	(50,000)	(1.55)
Balance at December 31, 2023	860,417	$ 0.98

Restricted Stock Awards and Restricted Stock Units

A summary of the restricted stock award and restricted stock unit activity for the period ended December 31, 2023 is as follows:

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

The Company recorded non-cash compensation expense of $0 and $5,000 for the twelve month periods ending on December 31, 2023 and 2022, respectively.

Total unrecognized compensation expense related to unvested stock awards and unvested restricted stock units at December 31, 2023 is $0.

Stock Awards

The Company granted 30,000 shares each to a director and employee in October of 2022. These shares vested immediately and the Company recorded non-cash compensation in the amount of $49,800.

Note 9 - Income Taxes

The Company's provision for income taxes at December 31, 2023 and December 31, 2022 was as follows:

	December 31, 2023	December 31, 2022
Current	$ --	$ --
Federal	735,100	1,616,931
Foreign	--	--
State	63,600	20,900
	$ 798,700	$ 1,637,831
Deferred	$ --	$ --
Federal	(1,485,000)	(61,000)
Foreign	--	--
State	--	--
Total Provision for income taxes	$ (686,300)	$ 1,576,831

The Company recognizes deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. The Company established a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The valuation allowance at December 31, 2023 was $1,755,000. The net change in the valuation allowance during the year ended December 31, 2023 was a decrease of $1,420,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred tax asset to warrant the application of a full valuation allowance as of December 31, 2023 and 2022.

The Company has a net operating loss carryforward totaling approximately $31,722,000 at December 31, 2023, which expires through 2037. Pursuant to Code Sec. 382 of the Internal Revenue Code, the utilization of net operating loss carryforwards may be limited as a result of a cumulative change in stock ownership of more than 50% over a three-year period. The Company underwent such a change and consequently, the utilization of a portion of the net operating loss carryforwards is subject to certain limitations. Temporary differences are approximately as follows:

	December 31, 2023	December 31, 2022
Stock options	$ 136,000	$ 62,000
Accrued expenses	135,000	73,000
Inventory reserve	37,000	13,000
Allowance for Bad Debts	--	1,000
Property and equipment	(55,000)	(22,000)
Net operating loss carryover	3,675,000	3,849,000
Deferred tax assets	4,041,000	3,976,000
Less: valuation allowance	(1,755,000)	(3,175,000)
Net deferred tax assets	$ 2,286,000	$ 801,000

The actual tax benefit differs from the expected tax benefit for the years ended December 31, 2023 and 2022 (computed by applying the U.S. Federal Corporate income tax rate of 21%) as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Expected tax (provision) benefit	$ 1,202,000	$ 2,074,000
Write off of expired NOLs		557,000
State income taxes, net of federal benefit	50,000	90,000
Permanent items	(294,200)	(346,300)
Change in apportionment and tax rate	--	(250,000)
True-up	(224,100)	46,131
Change in valuation allowance	(1,420,000)	(594,000)
Actual tax benefit	$ (686,300)	$ 1,576,831

Note 10 – Customer and Vendor Concentrations

Customer Concentration

During the year ended December 31, 2023, one customer represented 10% or more of revenue, with 23% of the Company's accounts receivable. During the year ended December 31, 2022, one customer represented 10% or more of revenues, accounting for 15% of the Company's accounts receivable. During the year ended December 31, 2023, 55% and 24% of the Company's revenues were originated in the United States and Mexico, respectively. During the year ended December 31, 2023, 55% and 17% of the Company's revenues were originated in the United States and Mexico, respectively.

At December 31, 2023, no customer represented at least 10% of accounts receivable. At December 31, 2022, one customer represented at least 10% of accounts receivable, accounting for 15% of the Company's accounts receivable.

Vendor Concentration

During the year ended December 31, 2023, three vendors represented 10% or more of purchases, accounting for 54%, 13% and 12%, respectively, of the Company's purchases. During the year ended December 31, 2022, two vendors represented 10% or more of purchases, accounting for 70% and 11%, respectively, of the Company's purchases.

Note 11 – Stock Purchase

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 12 – Subsequent Events

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