usell.com, Inc.
Form 424B3
December 27, 2017

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-221825

USELL.COM, INC.

PROSPECTUS

7,880,000 Shares of Common Stock

This prospectus relates to the sale of up to 7,880,000 shares of usell.com, Inc. common stock which may be offered by the selling shareholders identified in this prospectus.

We will not receive any proceeds from the sales of shares of our common stock by the selling shareholders named on page 35.

Our common stock trades on the OTC Markets under the symbol "USEL". As of the last trading day before the date of this prospectus, the closing price of our common stock was $0.42 per share.

The common stock offered in this prospectus involves a high degree of risk. See "Risk Factors" beginning on page 5 of this prospectus to read about factors you should consider before buying shares of our common stock.

The selling shareholders are offering these shares of common stock. The selling shareholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling shareholders will receive all proceeds from the sale of the common stock. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 22, 2017

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You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. We are not offering to sell or seeking offers to buy shares of common stock in jurisdictions where offers and sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully including the section entitled “Risk Factors” before making an investment decision. uSell.com, Inc. is referred to throughout this prospectus as “uSell,” “we,” “our” or “us.”

Our Company

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

Corporate Information

Our corporate headquarters are located at 171 Madison Avenue, 17th Floor, New York, New York 10016 and our phone number is (212) 213-6805. Our website can be found at www.usell.com. The information on, or that can be accessed through, our website is not incorporated in this prospectus.

THE OFFERING

Common stock outstanding prior to the offering:	28,286,999 shares
Common stock offered by the selling shareholders:	7,880,000 shares of common stock, all of which are outstanding as of the date of this prospectus
	28,286,999 shares

Common stock outstanding immediately following the offering:	
Use of proceeds:	We will not receive any proceeds from the sale of shares by the selling shareholders. See “Use of Proceeds” on page 10.
Stock Symbol:	OTCQB: USEL
Risk Factors:	See “Risk Factors” beginning on page 5 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of common stock to be outstanding prior to and after this offering excludes:

- a total of 482,000 shares of common stock issuable upon the exercise of outstanding stock options;
- a total of 493,020 shares of common stock reserved for future issuance under outstanding restricted stock units; and
- a total of 797,083 shares of common stock issuable upon the exercise of warrants.

SUMMARY FINANCIAL DATA

The following summary of our financial data should be read in conjunction with, and is qualified in its entirety by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, appearing elsewhere in this prospectus.

Statements of Operations Data

	Three Months Ended September 30, 2017 (Unaudited)	**Three Months Ended September 30, 2016 (Unaudited)**	**Nine Months Ended September 30, 2017 (Unaudited)**	**Nine Months Ended September 30, 2016 (Unaudited)**	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**
Revenue	$ 28,872,702	$ 24,817,307	$ 81,141,673	$ 73,098,642	$ 94,656,735	$ 27,093,928
Gross profit	$ 1,557,792	$ 2,067,306	$ 5,278,244	$ 4,779,325	$ 5,821,823	$ 3,544,830
Net loss	$ (625,030)	$ (411,479)	$ (2,519,778)	$ (2,534,732)	$ (3,711,738)	$ (2,632,375)
Net loss per common share – basic and diluted	$ (0.03)	$ (0.02)	$ (0.13)	$ (0.13)	$ (0.19)	$ (0.27)
Weighted average common shares outstanding (basic and diluted)	20,150,640	20,123,042	20,143,783	19,995,689	20,029,701	9,687,951

Balance Sheet Data

	September 30, 2017 (Unaudited)	December 31, 2016	December 31, 2015
Cash and cash equivalents	$477,610	$1,657,422	$1,047,786
Working capital	$6,200,532	$5,770,420	$5,597,143
Total assets	$24,786,711	$25,497,630	$24,318,660
Total current liabilities	$5,866,988	$6,303,477	$4,112,053
Accumulated deficit	$(60,906,506)	$(58,386,728)	$(54,674,990)
Total shareholders' equity	$10,559,724	$12,705,167	$13,989,564

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to purchase or sell securities of uSell. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Relating to Our Business

If our working relationship with our new lender is not successful, we will lack the capital to sustain and grow our business and our future results of operations and financial condition will be adversely affected.

In January 2017, we entered into a Note Purchase Agreement (the "2017 NPA") with a new lender to whom we issued a secured term note in the principal amount of approximately $8.6 million (the "2017 Note") and who acts as the Manager of the Special Purpose Entity (the "SPE"). See page 22 for a description of this 2017 and the SPE. As long as our working relationship with this entity is positive, we believe that we have sufficient capital to operate our business as we did in 2016 and grow it through the SPE. In fact, we have entered into two amendments to the Note Purchase Agreement. However, if we encounter issues working with this new lender, it could adversely affect our results of operations and future financial condition. In that event, we would have to refinance our loan and possible issue equity and/or debt securities.

If we fail to meet the covenants under the 2017 Note, we may sustain material adverse consequences including the possibility of the lender declaring a default.

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As is customary with institutional loan agreements, our loan agreement requires us to meet future a number of financial covenants. If we fail to comply with any of these covenants, we may sustain a number of material adverse consequences including:

· we may incur interest penalties; and
· the lender may declare a default and accelerate the repayment of the 2017 Note

If any of these events were to occur, your investment may be lost.

Although we are responsible for all of the costs of the SPE, we may incur material losses if it is not profitable and we do not receive material distributions.

Under the terms of the operative documents relating to the SPE, we are responsible for all costs other than acquisition of inventory and certain other expenses for which we are reimbursed. Although we have a profits interest in the SPE, we are incurring material costs and may never receive distributions of profits at all or if we do sufficient to cover our costs including personnel costs.

If we pay too much or do not offer a sufficient amount to our suppliers for phones, our revenues will be adversely affected.

In 2015, we acquired We Sell Cellular which primarily engages in the wholesale acquisition and resale of smartphones and related devices from carriers and big box stores. The We Sell Cellular business is reliant on its ability to purchase phones at low prices which result in profitability on liquidation. Conversely, if the prices that We Sell Cellular offers suppliers for the phones are too low, than we will be unsuccessful at obtaining the phones and our revenues will be adversely affected.

Because we acquired 72% of our phones in 2016 from one supplier, if this supplier reduces its sales to us, it may adversely affect our results of operations.

We Sell Cellular's business has been characterized by a high degree of supplier concentration. In 2016 and 2015, We Sell Cellular purchased approximately 72% and 94%, respectively, of its inventory from one supplier. We have decreased this concentration to 57% for the nine months ended September 30, 2017. Unless we were to find new large suppliers or continue to decrease this concentration, the relationship with this supplier is vital to the continued success of We Sell Cellular. Although this supplier continues to sell We Sell Cellular phones in large quantities, we cannot assure you that the supplier will continue to provide us with phones at a cost effective rate for any reason. In the event that our relationship with this supplier was terminated or the number of phones supplied to We Sell Cellular from this supplier were reduced, our revenues and profitability would be adversely affected.

If we cannot manage our growth effectively, we may not become profitable.

Businesses which grow rapidly often have difficulty managing their growth. If we continue to grow as rapidly as we anticipate, we will need to expand our management by recruiting and employing experienced executives and key employees capable of providing the necessary support. We cannot assure you that our management will be able to manage our growth effectively or successfully. Our failure to meet these challenges could cause us to lose money, and your investment could be lost.

If we fail to retain our key personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our future depends, in part, on our ability to attract and retain key personnel and the continued contributions of our executive officers including Nikhil Raman, uSell's Chief Executive Officer, Brian Tepfer, an Executive Vice President of uSell and We Sell Cellular's Chief Executive Officer and Scott Tepfer, an Executive Vice President of uSell and We Sell Cellular's President, each of whom may be difficult to replace. The loss of the services of any of these officers and the process to replace any key personnel would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

Because we rely on the continuing rapid pace of technological development in the smartphone and tablet industries, if innovation in these industries were to decrease or providers were to extend the upgrade cycles on phones, our future results of operation will be adversely affected.

We believe that one of the driving factors for the potential success of our business is the continued improvements and developments in the smartphone industry as well as the continued reduction in the amount of time consumers have to wait to upgrade their phones with no penalties. Because consumers have in the past expressed a continual need to have the latest generation phones and iPads or other tablets, the opportunity for liquidating these huge quantities of depreciating assets in a profitable yet efficient manner is very promising. If innovation in smartphone or tablet device technology were to level off, the upgrade cycles were to be extended or there were fewer new phone launches, the purchase of new phones and tablets could be diminished, reducing the demand for used electronics and consequently the wholesale market for them. In such an event, our results of operations would suffer and we may not be able to continue operations.

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Because we rely on information technology to operate our businesses and maintain our competitiveness, any failure to adapt to technological developments or industry trends could harm our business.

We depend upon the use of sophisticated information technology, including software. As our operations grow in both size and scope, we must continuously improve and upgrade our systems including our hardware and infrastructure to offer our enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving industry standards while continuing to improve the performance, features and reliability of our service in response to competitive service and product offerings and the changing demands of the marketplace. In particular, expanding our systems and infrastructure to meet any potential increases in business volume will require us to commit additional financial, operational and technical resources before those increases materialize, with no assurance that they actually will. Furthermore, our use of this technology could be challenged by claims that we have infringed upon the patents, copyrights or other intellectual property rights of others.

In addition, we may not be able to maintain our existing systems, obtain new technologies and systems, or replace or introduce new technologies and systems as quickly as our competitors or in a cost-effective manner. Also, we may fail to achieve the benefits anticipated or required from any new technology or system, or we may be unable to devote financial resources to new technologies and systems in the future.

If we experience system interruptions, it may cause us to lose customers and may harm our business.

Our inability to maintain and improve our information technology systems and infrastructure may result in system interruptions. System interruptions and slow delivery times, unreliable service levels, prolonged or frequent service outages, or insufficient capacity may prevent us from efficiently providing services to the buyers and/or customers on our website, which could result in our losing customers and revenue

We lease space for our data center and rely on a co-location partner for power, security, connectivity and other services. We also rely on third party providers for bandwidth and content delivery. We do not control these vendors and it would take significant time and effort to replace them. We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Our systems are vulnerable to damage or interruption from terrorist attacks, floods, fires, power loss, telecommunications failures, hurricanes, computer viruses, computer denial of service attacks or other attempts to harm our systems. If the site is unavailable when customers attempt to access it or access is slower than a customer expects, customers may stop visiting our site and become less likely to return, if at all. We expect to continue to make significant investments in our technology infrastructure to maintain and improve all aspects of user experience and site performance. To the extent that our disaster recovery systems are not adequate, or we do not effectively address capacity constraints, upgrade our systems, and continually develop our technology and network architecture to accommodate increasing traffic, our business and operating results may suffer.

Our software is highly technical and undetected errors, if any, could adversely affect our business.

Our service incorporates software that is highly technical and complex. Our software has contained, and may now or in the future contain, undetected errors, bugs, flaws, corrupted data or vulnerabilities. Some errors in our software code may only be discovered after the code has been released. Any errors, bugs, flaws or corrupted data could result in damage to our reputation, loss of users, or loss of revenue, any of which could adversely affect our business and financial results.

Because our networks and IT systems may be vulnerable to unauthorized persons hacking our systems, it could disrupt our operations and result in the theft of our proprietary information.

A party who is able to breach the security measures on our networks could misappropriate either our proprietary information or the personal information provided by participants on our website, or cause interruptions or malfunctions in our operations. Hacking of websites is a growing problem. If we grow and obtain more visibility, we may be more vulnerable to hacking. Although we have insurance to cover losses in the event we are hacked, our coverage may be less than our losses. We may be required to expend significant capital and other resources to protect against such threats or to alleviate problems caused by breaches in security, which could have a material adverse effect on our financial performance and operating results.

Our business is subject to a variety of U.S. and other laws, rules and regulations that could subject us to claims or otherwise harm our business.

Government regulation of the Internet and e-commerce is evolving and unfavorable changes could substantially harm our business and results of operations. We are subject to a variety of laws in the U.S. and elsewhere that affect advertising, that are costly with which to comply, can result in negative publicity and diversion of management time and effort, and can subject us to claims or other remedies. In addition, the laws relating to the liability of providers of online services are currently unsettled both within the U.S. and elsewhere. Claims can be brought under both U.S. and foreign law for defamation and other tort claims, unlawful activity, copyright, and trademark infringement.

The Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for listing or linking to third-party websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. The Child Online Protection Act and the Children's Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In the area of data protection, the European Union and many states have passed laws requiring notification to users when there is a security breach for personal data, such as California's Information Practices Act. We must comply with the Federal Trade Commission's unfair trade practices rules and state consumer protection laws including "little" unfair trade practice rules. Any failure on our part to comply with these laws, rules and regulations may subject us to additional liabilities.

As Internet commerce develops, federal, state and foreign governments may draft and propose new laws to regulate Internet commerce, which may negatively affect our business.

As Internet commerce continues to evolve, increasing regulation by federal, state or foreign governments becomes more likely. Our business could be negatively impacted by the application of existing laws and regulations or the enactment of new laws applicable to our business. The cost to comply with such laws or regulations could be significant and would increase our operating expenses.

If there is new tax treatment of companies engaged in Internet commerce, it could adversely affect the commercial use of our services and our financial results.

Due to the global nature of the Internet, it is possible that governments might attempt to tax our activities. New or revised tax regulations may subject us to additional sales, income and other taxes. New York State, for example, taxes online sales. Recently there has been movement toward Congress permitting states and localities to impose sale taxes on online purchases. Recently, the United States Senate passed legislation to permit taxation of Internet sales but it stalled in the House of Representatives. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and especially sales taxes would likely increase the cost of doing business online, and increase the cost of doing business over the Internet. Any of these events will increase our costs and adversely affect our business and results of operations.

If a third party asserts that we are infringing on its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or require us to obtain expensive licenses, and our business may be adversely affected.

The Internet industry is characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. A party may assert patent and other intellectual property infringement litigation against us claiming our platform infringes on its patents or otherwise violates its intellectual property rights. Any lawsuit, whether or not successful, could:

- Divert management’s attention;
- Result in prohibitive costs;
- Require us to enter into royalty or licensing agreements, which may not be available on acceptable terms, or at all

As a result, any third-party intellectual property claims against us could increase our expenses and adversely affect our business. In addition, agreements with third parties require us to indemnify them for intellectual property infringement claims, which would increase the cost to us resulting from an adverse ruling on any such claim. Even if we have not infringed any intellectual property rights, we cannot be sure our legal defenses will be successful, and even if we are successful in defending against such claims, our legal defense could require significant financial resources and management time. Finally, if a claimant successfully asserts a claim that our services infringe their proprietary rights, royalty or licensing agreements might not be available on terms we find acceptable, or at all.

If we cannot protect our intellectual property rights, we may be unable to compete with competitors developing similar technologies.

We regard the protection of our trade secrets and other intellectual property rights as critical to our success. A substantial amount of our processes and technologies is protected by trade secret laws. In order to protect these technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. To the extent that our employees, contractors or other third parties with which we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Laws regarding trade secret rights in certain markets in which we currently, or in the future, operate may afford little or no protection to our trade secrets. The loss of trade secret protection could make it easier for third parties to compete with our platform by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our business, revenue, reputation and competitive position.

Risks Related to Our Common Stock

Because the market for our common stock is limited, persons who purchase our common stock may not be able to resell their shares at or above the purchase price paid for them.

Our common stock trades on the OTCQB, which is not a liquid market. There is currently only a limited public market for our common stock. We cannot assure you that an active public market for our common stock will develop or be sustained in the future. If an active market for our common stock does not develop there may be a substantial decrease in the price of our common stock.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Our failure to increase revenue in each succeeding quarter;
- Our failure to achieve and maintain profitability;
- Our failure to meet our revenue and earnings guidance or our failure to meet financial analysts' performance expectations;
- The loss of a number of suppliers (see risk factor on page 5) or our failure to attract more suppliers;
- The loss of a number of buyers or our failure to attract more buyers;
- The sale of a large amount of common stock by our shareholders;
- Our announcement of a pending or completed acquisition or our failure to complete a proposed acquisition;
- An adverse court ruling or regulatory action;
- Changes in market valuations of similar companies;
- Short selling activities;
- Our announcement of any financing which is dilutive to our shareholders;
- Our announcement of a change in the direction of our business; or
- Announcements by us, or our competitors, of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since there is little incentive to brokerage firms to recommend the purchase of our common stock. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

If we become subject to a regulatory investigation, it could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we may receive inquiries from regulators regarding our compliance with laws and other matters. Responding to or defending other such actions would cause us to incur substantial expenses and divert our management's attention. If we are unsuccessful, we may have to change our policies or practices. Any such change or defense of a regulatory investigation or action could reduce our future revenues and increase our costs and adversely affect our future operating results.

Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations. In addition, it is possible that future orders issued by, or enforcement actions initiated by, regulatory authorities could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Because our executive officers and directors beneficially own a significant amount of our common stock, it is likely that they may continue to be able to exert significant control over matters which require shareholder approval including election of directors and the future sale of our business.

As of December 15, 2017, our executive officers and directors beneficially owned approximately 32% of our outstanding common stock. Therefore, these shareholders will have the ability to influence us through this ownership position. These shareholders may be able to determine all matters requiring shareholder approval and, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock you may believe are in your best interest as one of our shareholders.

We do not expect to pay dividends in the future, which means that investors may not be able to realize the value of their shares except through a sale.

We have never, and do not anticipate that we will, declare or pay a cash dividend. Without the lenders agent's consent, we are precluded from declaring or paying out dividends under the 2017 NPA. We expect to retain future earnings, if any, for our business and do not anticipate paying dividends on common stock at any time in the foreseeable future. Because we do not anticipate paying dividends in the future, the only opportunity for our shareholders to realize the creation of value in our common stock will likely be through a sale of those shares.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements including liquidity and capital expenditures. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "co "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in "Risk Factors" elsewhere in this prospectus.

Other sections of this prospectus may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this prospectus, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

DILUTION

The shares of common stock to be sold by the selling shareholders are issued and outstanding. Accordingly, there will be no dilution to our existing shareholders.

PRIVATE PLACEMENTS

In November 2017, we raised $3,940,000 from the sale of 7,880,000 shares of common stock at $0.50 per share in a private placement offering to 14 accredited investors, including a large shareholder and uSell's Chief Executive Officer. We used, or are using, the proceeds from the private placements for general corporate purposes, including working capital as well as to maintain a $310,000 reserve account as required under the 2017 NPA.

This prospectus covers the offer and sale of the common stock issued in the November offering.

USE OF PROCEEDS

We will not receive any proceeds upon the sale of shares by the selling shareholders.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2017. The table should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus:

	As of September 30, 2017
Cash and cash equivalents	$ 477,610
Restricted cash	3,440,837
Debt:	
Due to related party	48,991
Promissory note payable	8,310,148
Stockholders' equity:	
Common stock; $0.0001 par value; 43,333,333 shares authorized; 20,154,999 shares issued and outstanding	2,015

Additional paid-in capital		71,464,215
Accumulated deficit		(60,906,506)
Total Stockholders’ equity	$	10,559,724

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MARKET FOR COMMON STOCK

Our common stock is quoted on the OTC Markets (OTCQB) under the symbol “USEL.” As of December 18, 2017, the last reported sale price of our common stock as reported by the OTC Markets was $0.42 per share. As of that date, there were approximately 130 shareholders of record. This number does not include beneficial owners whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

The following table provides the high and low bid price information for our common stock for the periods indicated which reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year	Quarter Ended	Stock Price	
		High ($)	Low ($)
2017	September 30	0.80	0.26
	June 30	0.85	0.60
	March 31	0.88	0.44
2016	December 31	0.98	0.43
	September1	1.20	0.60
	June 30	1.15	0.62
	March 31	1.25	0.80
2015	December 31	2.00	0.72

Dividend Policy

We have not paid any cash dividends on our common stock and do not plan to pay any such dividends in the foreseeable future. We currently intend to use all available funds to develop our business. We can give no assurances that we will ever have excess funds available to pay dividends.

We unable to declare or pay any dividends, without the prior consent of the lender under the 2017 NPA.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

Device Acquisition

uSell has two primary means of sourcing devices to satisfy demand from its global base of customers. The first source is through its wholly-owned subsidiary, We Sell Cellular, which was acquired in the fourth quarter of 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy used smartphones that have been traded in with the major carriers and the big box retailers, fully inspect and grade these devices, and then sell these devices wholesale and retail through its highly experienced sales force. We Sell Cellular is one of a select group of wholesalers that has qualified for R2 certification, the industry standard for both data destruction and environmental protection.

uSell's second method of sourcing devices is through its website, uSell.com, where individual sellers can find cash offers for their items based on the make, model, and condition of each item. Upon accepting an offer, sellers can ship their devices for free using either a prepaid shipping kit or shipping label, and then track the progress of their orders online from initiation to final payment of their devices. Since the acquisition of We Sell Cellular, only a small percentage of our devices have been sourced in this manner versus through wholesale channels.

Device Disposition

We sell devices through three primary means:

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

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

Revenue Model

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

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

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

Critical Accounting Policies

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the Securities and Exchange Commission ("SEC"), we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on the our financial condition. The accounting estimates are discussed below and involve certain assumptions that if incorrect could have a material adverse impact on our results of operations and financial condition.

Capitalized Technology Costs

In accordance with Accounting Standards Codification (“ASC”) 350-40, Internal-Use Software, we capitalize 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.

Business Combinations

ASC 805, Business Combinations (“ASC 805”), applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires us to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive loss.

Goodwill and Intangible Assets

We account for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other (“ASC 350”). ASC 350 requires that goodwill and other intangibles with indefinite lives should 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.

We assess goodwill for impairment, as described in Note 2, "Summary of Significant Accounting Policies – Goodwill and Intangible Assets," in the Notes to Consolidated Financial Statements, on an annual basis or more often if deemed necessary. At December 31, 2016, goodwill totaled $8,449,000. To determine whether goodwill impairment indicators exist, we are required to assess the fair value of the reporting unit and compare it to the carrying value. A reporting unit is a component of an operating segment for which discrete financial information is available and management regularly reviews its operating performance. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether further impairment testing is necessary.

Our annual impairment test performed as of December 31, 2016, did not result in any impairment of goodwill. We performed quantitative tests consistent with our policy of periodically updating our reporting unit's fair value. Based on our quantitative analyses, we determined there was no impairment.

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 impairment evaluation.

We periodically review the carrying values of our 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 record an impairment charge when considered necessary. When circumstances indicate that an impairment of value may have occurred, we test 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.

Revenue Recognition

Revenue is recognized when all of the following conditions exist: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured.

Principal Device Revenue

Through our We Sell Cellular subsidiary, we generate revenue from the sales of our cellular telephones and related equipment and recognize 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 our warehouse. Payment terms generally require payment once an order is placed. We allow 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.

Under our "Managed by uSell" service on uSell.com, we partnered with a third party logistics company to inspect, wipe and process devices before passing them along to buyers. Under this model, title to a device passes to uSell upon issuance of payment to the seller, which is generally within one to two days from the receipt of the device at the third party warehouse. Title to a device is then transferred to the buyer upon shipment to the buyer.

Agent Commission Revenue

In certain cases, sellers on our uSell.com website are shown a larger list of offers directly from third party buyers interested in purchasing their devices. These offers are shown instead of or in addition to the "Managed by uSell" offer. If a seller chooses one of these offers, the seller will ship their device directly to the buyer, rather than to our third party warehouse. The buyer is then responsible for testing the device, servicing the customer, and ultimately paying the seller for the device or returning it. We charge a commission to our buyers only when the seller sends in a device and is successfully paid for it. As such, we recognize Agent Commission Revenue upon payment to the seller.

Fulfillment Revenue

We offer fulfillment services on behalf of our buyers for the items sold using the Agent Commission Revenue approach outlined above. We act as the agent in these fulfillment services transactions, passing orders booked by our buyers to our third party fulfillment vendor, who then assembles the kits and mails them directly to the sellers. We earn a standard fee from our buyers and recognize revenue upon shipment of the kits to the sellers. We evaluated the presentation of revenue on a gross versus net basis and determined that since we perform as an agent without assuming the risks and rewards of ownership of the goods, revenue should be reported on a net basis.

Advertising Revenue

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

Share-Based Payment Arrangements

We account for stock options in accordance with Accounting Standards Codification (“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 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 our 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.

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.

Results of Operations

2017 Financial Highlights

Key financial metrics are as follows:

Revenues increased by $4,056,000, or 16%, to $28,873,000 for the three months ended September 30, 2017, from $24,817,000 for the three months ended September 30, 2016

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Revenues increased by $8,043,000, or 11%, to $81,142,000 for the nine months ended September 30, 2017, from $73,099,000 for the nine months ended September 30, 2016

Operating loss for the three months ended September 30, 2017 was $288,000, compared to $7,000 for the three months ended September 30, 2016, a change of $281,000

Operating loss for the nine months ended September 30, 2017 was $546,000, compared to $1,075,000 for the nine months ended September 30, 2016, an improvement of $529,000, or 49%

Net loss for the three months ended September 30, 2017 was $625,000, compared to $412,000 for the three months ended September 30, 2016

Net loss for the nine months ended September 30, 2017 was $2,520,000, compared to $2,535,000 for the nine months ended September 30, 2016

Adjusted EBITDA, a non-GAAP financial measure, was $203,000 for the three months ended September 30, 2017, compared to $590,000 for the three months ended September 30, 2016. See "Non-GAAP Financial Measure - Adjusted EBITDA" below.

Adjusted EBITDA was $909,000 for the nine months ended September 30, 2017, compared to $793,000 for the nine months ended September 30, 2016. See "Non-GAAP Financial Measure - Adjusted EBITDA" below.

Technology and operational processes continue to play a key role in limiting the growth of our fixed costs while increasing capacity, sales velocity, and average selling prices. We continue to invest in our online platform and have steadily transitioned more of our customer interactions online. Beginning in the fourth quarter, a subset of our customers will have the ability to purchase directly through an online portal, rather than by speaking to a sales representative. This new platform, in addition to our online auction platform, will enable us to drive the bulk of our customers online in the coming quarters.

We continue to invest resources in optimizing the processes and technology needed to test and grade devices in our warehouse, with the aim of increasing capacity and decreasing processing lead time, while providing device level traceability to our suppliers. We believe that these investments are important to make for two reasons: 1) they differentiate us from competitors of similar scale that are looking to purchase from our suppliers, and 2) we expect the iPhone X launch to drive substantial trade in volume over the next six months. By adding more value than our competitors and becoming the partner of choice to our suppliers, we believe that we will greatly benefit from industry trends as trade-in continues to increase in importance throughout the mobile ecosystem.

On the supply side, we continue our supplier diversification initiatives, with our largest supplier's share of purchases representing just 57% for the nine months ended September 30, 2017, down from 81% during the same period in 2016. We view supplier diversification, as well as expanding our relationships with existing suppliers, as long term initiatives, and are optimistic about our prospects over the next year.

Comparison of the Three and Nine Months Ended September 30, 2017 to the Three and Nine Months Ended September 30, 2016

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

	Three Months Ended September 30,		Change	Change
	2017	2016	(Dollars)	(Percentage)
Revenue	$28,873,000	$24,817,000	$4,056,000	16 %
Cost of Revenue	27,315,000	22,750,000	4,565,000	20 %
Gross Profit	1,558,000	2,067,000	(509,000)	(25)%
Operating Expenses:				
Sales and Marketing	533,000	469,000	64,000	14 %
General and Administrative	1,313,000	1,605,000	(292,000)	(18)%
Total Operating Expenses	1,846,000	2,074,000	(228,000)	(11)%
Operating Loss	(288,000)	(7,000)	(281,000)	4,014 %
Other Expense, Net	(337,000)	(405,000)	68,000	(17)%
Net Loss	$(625,000)	$(412,000)	$(213,000)	52 %

	Nine Months Ended September 30,		Change	Change
	2017	2016	(Dollars)	(Percentage)
Revenue	$81,142,000	$73,099,000	$8,043,000	11 %
Cost of Revenue	75,863,000	68,319,000	7,544,000	11 %
Gross Profit	5,279,000	4,780,000	499,000	10 %
Operating Expenses:				
Sales and Marketing	1,618,000	1,260,000	358,000	28 %
General and Administrative	4,207,000	4,595,000	(388,000)	(8)%
Total Operating Expenses	5,825,000	5,855,000	(30,000)	(1)%
Operating Loss	(546,000)	(1,075,000)	529,000	(49)%
Other Expense, Net	(1,973,000)	(1,460,000)	(513,000)	35 %
Net Loss	$(2,519,000)	$(2,535,000)	$16,000	(1)%

Revenue by Type

The following table breaks down our revenue by type:

	Three Months Ended September 30,			
	2017		2016	
Principal Device Revenue	$28,730,000	100%	$24,721,000	100%
Agent Commission Revenue	140,000	0 %	75,000	0 %
Other	3,000	0 %	21,000	0 %
	$28,873,000	100%	$24,817,000	100%

	Nine Months Ended September 30,			
	2017		2016	
Principal Device Revenue	$80,653,000	99 %	$72,923,000	100%
Agent Commission Revenue	471,000	1 %	106,000	0 %
Other	18,000	0 %	70,000	0 %
	$81,142,000	100%	$73,099,000	100%

Principal Device Revenue increased by $4,009,000, or 16%, from $24,721,000 for the three months ended September 30, 2016 to $28,730,000 for the three months ended September 30, 2017. Principal Device Revenue increased by $7,730,000, or 11%, from $72,923,000 for the nine months ended September 30, 2016 to $80,653,000 for the nine months ended September 30, 2017. The increase in our Principal Device revenue was due to our ability to source more devices from our expanded network of suppliers.

Agent Commission Revenue increased by $65,000, or 87%, from $75,000 for the three months ended September 30, 2016 to $140,000 for the three months ended September 30, 2017. Agent Commission Revenue increased by $365,000, or 344%, from $106,000 for the nine months ended September 30, 2016 to $471,000 for the nine months ended September 30, 2017. The increase in Agent Commission Revenue was due to our decision to shut down our Managed by uSell service at the end of 2016 and no longer take possession of devices sent in through our uSell.com website. Payments for devices sent in through uSell.com are now made directly from buyers to sellers, and we only recognize a commission on these transactions.

Due to the fact that devices sourced through We Sell Cellular are bought and sold using the Principal Device Revenue model, we anticipate that the percentage of the Agent Commission Revenue will remain minimal for the foreseeable future, as we continue to increase the volume that we purchase through wholesale channels.

Cost of Revenue

Cost of revenue increased by $4,565,000, or 20% from $22,750,000 for the three months ended September 30, 2016 to $27,315,000 for the three months ended September 30, 2017. Cost of revenue increased by $7,544,000, or 11% from $68,319,000 for the nine months ended September 30, 2016 to $75,863,000 for the nine months ended September 30, 2017. As noted above, our revenue for these periods increased by 16% and 11%, respectively, which caused a corresponding increase in our cost of revenue. Cost of revenues for the three months ended September 30, 2017 did not include a provision for slow-moving and obsolete inventory, compared to $384,000 for the three months ended September 30, 2016. Cost of revenues for the nine months ended September 30, 2017 did not include a provision of $0 for slow-moving and obsolete inventory, compared to $563,000 for the nine months ended September, 2016.

Gross profit decreased to 5.4% for the three months ended September 30, 2017, compared to 8.3% for the three months ended September 30, 2016. Our margins decreased as a result of industry conditions, dictated by supply and demand. Gross profit remained the same at 6.5% for the nine months ended September 30, 2017 and 2016.

Sales and Marketing Expenses

Sales and marketing expense increased $64,000, or 14%, from $469,000 during the three months ended September 30, 2016 to $533,000 during the three months ended September 30, 2017. Sales and marketing expense increased $358,000, or 28%, from $1,260,000 during the nine months ended September 30, 2016 to $1,618,000 during the nine months ended September 30, 2017. The increase is primarily attributable to the higher fees paid as a result of the increased eBay sales during the three and nine months ended September 30, 2017, compared to the three and nine months ended September 30, 2016. With the We Sell Cellular acquisition and our newfound ability to source devices directly from the carriers, retailers, and manufacturers, our primary sales and marketing expenses have shifted from consumer marketing to paying out sales commissions and selling fees. Because the vast majority of our sales and marketing expenses are now paid to third party selling platforms, such as eBay and Amazon, any increases or decreases in these expenses are directly tied to sales for the period.

General and Administrative Expenses

General and administrative expenses include professional fees for technology, legal and accounting services as well as consulting and internal personnel costs for our back office support functions. General and administrative expenses are impacted by non-cash compensation expense pertaining to stock grants and option grants for services. Non-cash compensation expense amounted to $132,000 and $92,000 for the three months ended September 30, 2017 and 2016, respectively, and $374,000 and $364,000 for the nine months ended September 30, 2017 and 2016, respectively.

Excluding non-cash compensation expense, general and administrative expenses for the three months ended September 30, 2017 decreased by $332,000, or 22%, compared to the three months ended September 30, 2016. Excluding non-cash compensation expense, general and administrative expenses for the nine months ended September 30, 2017 decreased by $398,000, or 9%, compared to the three months ended September 30, 2016. The decrease is mainly the result of the decrease in amortization expense resulting from the full amortization of certain intangible assets acquired in connection with the We Sell Cellular acquisition. In addition, general and administrative expenses for the three and nine months ended September 30, 2016 include a loss on the disposal of assets in the amount of $112,000, for which such amount is not included in the three and nine months ended September 30, 2017.

Other Income (Expense)

Other expense during the three months ended September 30, 2017 is comprised of ($337,000) of interest expense consisting primarily of the contractual interest expense and amortization of debt issue costs on the 2017 NPA.

Other expense during the three months ended September 30, 2016 is mainly comprised of ($405,000) of interest expense primarily attributable to the BAM Note Purchase Agreement entered into in October 2015 ("BAM Facility").

Other expense during the nine months ended September 30, 2017 is comprised of ($1,973,000) of interest expense consisting primarily of $996,000 attributable to the amortization of the remaining debt issue costs on the terminated BAM Facility, as well as the contractual interest expense and amortization of debt issue costs on the BAM Facility.

Other expense during the nine months ended September 30, 2016 is mainly comprised of ($1,090,000) of interest expense primarily attributable to the BAM Facility and ($370,000) of derivative expense related to the change in the fair value of the placement rights derivative liability. The placement rights were waived in July 2016 and, accordingly, the derivative liability was eliminated.

Special Purpose Entity

Expense reimbursements for the three months ended September 30, 2017 amounted to $139,000, of which $100,000 was recorded in cost of revenues and $39,000 was recorded in sales and marketing. Expense reimbursements for the nine months ended September 30, 2017 amounted to $402,000, of which $261,000 was recorded in cost of revenues and $141,000 was recorded in sales and marketing. There were no profit distributions made to the Company from the SPE during the three and nine months ended September 30, 2017.

Non-GAAP Financial Measure - Adjusted EBITDA

We make reference to "Adjusted 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 Adjusted EBITDA to the most directly comparable GAAP financial measure, net loss, to the extent available without unreasonable effort, are set forth below. The Company defines Adjusted EBITDA as earnings or (loss) from continuing operations before the items noted in the table below.

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

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	2016	2017	2016
Net loss	$(625,000)	$(412,000)	$(2,520,000)	$(2,535,000)
Stock-based compensation expense	132,000	92,000	374,000	364,000
Depreciation and amortization	359,000	505,000	1,082,000	1,504,000
Interest expense	337,000	405,000	1,973,000	1,090,000
Change in fair value of derivative liability	—	—	—	370,000
Adjusted EBITDA	$203,000	$590,000	$909,000	$793,000

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Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

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

	Year Ended December 31,		Change	Change
	2016	2015	(Dollars)	(Percentage)
Revenue	$94,657,000	$27,094,000	$67,563,000	249 %
Cost of Revenue	88,835,000	23,549,000	65,286,000	277 %
Gross Profit	5,822,000	3,545,000	2,277,000	64 %
Operating Expenses:				
Sales and Marketing	1,680,000	2,037,000	(357,000)	(18)%
General and Administrative	5,987,000	6,345,000	(358,000)	(6)%
Total Operating Expenses	7,667,000	8,382,000	(715,000)	(9)%
Operating Loss	(1,845,000)	(4,837,000)	2,992,000	(62)%
Other Expense, Net	(1,867,000)	(188,000)	(1,679,000)	893 %
Income Tax Benefit	-	2,393,000	(2,393,000)	(100)%
Net Loss	$(3,712,000)	$(2,632,000)	$(1,080,000)	41 %

<u>Revenue by Type</u>

The following table breaks down our revenue by type:

	Year Ended December 31,			
	2016		2015	
Principal Device Revenue	$94,190,000	100%	$26,238,000	97 %
Agent Commission Revenue	378,000	0 %	516,000	2 %
Other	89,000	0 %	340,000	1 %
	$94,657,000	100%	$27,094,000	100%

Principal Device Revenue increased by $67,952,000, or 259%, from $26,238,000 for year ended December 31, 2015 to $94,190,000 for the year ended December 31, 2016. Agent Commission Revenue decreased by $138,000, or 27%, from $516,000 for the year ended December 31, 2015 to $378,000 for the year ended December 31, 2016. Principal Device Revenue related to We Sell Cellular amounted to $90,324,000 for the year ended December 31, 2016, compared to $17,646,000 for the period from October 27, 2015 (acquisition date of We Sell Cellular) through

December 31, 2015.

Due to the fact that devices sourced through We Sell Cellular are bought and sold using the Principal Device Revenue model, we anticipate that the percentage of the Agent Commission Revenue will remain minimal for the foreseeable future, as we continue to increase the volume that we purchase through wholesale channels.

Cost of Revenue

Cost of revenue increased by $65,286,000 or 277% from $23,549,000 for the year ended December 31, 2015 to $88,835,000 for the year ended December 31, 2016. Cost of revenue related to We Sell Cellular amounted to $85,011,000 for the year ended December 31, 2016, compared to $16,207,000 for the period from October 27, 2015 through December 31, 2015. Cost of revenue pertaining to the sale of devices through our Managed by uSell service includes the cost of acquiring the device, as well as any other direct costs and expenses required to inspect and process the devices internally before shipping them to the buyers. Furthermore, with the acquisition of We Sell Cellular in 2015, we saw a substantial increase in Principal Device Revenue associated with the wholesale acquisition and sale of devices. Accordingly, our cost of revenue has increased substantially. Cost of revenues for the year ended December 31, 2016 includes a $52,000 recovery for slow-moving and obsolete inventory, respectively.

Any gross profit comparison prior to the We Sell Cellular acquisition in October 2015 would not be meaningful.

Sales and Marketing Expenses

Sales and marketing expense decreased $357,000, or 18%, from $2,037,000 during the year ended December 31, 2015 to $1,680,000 during the year ended December 31, 2016. While the decrease in spend between 2015 and 2016 is not material between periods, the nature of the spend is substantially different, and is much smaller as a percentage of overall sales. With the We Sell Cellular acquisition and our newfound ability to source devices directly from the carriers, retailers, and manufacturers, our primary sales and marketing expenses have shifted from consumer marketing to paying out sales commissions. We believe this shifting profile will enable us to scale volume significantly while maintaining sales and marketing expense as a much lower percentage of sales than in prior years.

General and Administrative Expenses

General and administrative expenses include professional fees for technology, legal and accounting services as well as consulting and internal personnel costs for our back office support functions. General and administrative expenses are impacted by non-cash compensation expense pertaining to stock grants and option grants for services. Non-cash compensation expense amounted to $525,000 and $2,954,000 for the years ended December 31, 2016 and 2015, respectively.

Excluding non-cash compensation expense, general and administrative expenses for the year ended December 31, 2016 increased by $2,071,000, or 61%, compared to the year ended December 31, 2015. The increase is mainly attributable to the acquisition of We Sell Cellular in October 2015. General and administrative expenses include $3,394,000 of expenses (inclusive of $1,362,000 of depreciation and amortization expense) related to the acquisition of We Sell Cellular during the year ended December 31, 2016, compared to $805,000 of expenses (inclusive of $248,000 of depreciation and amortization expense) during the period from October 27, 2015 through December 31, 2015. The increase in depreciation and amortization expense is mainly the result of the amortization of the intangible assets acquired in connection with the We Sell Cellular acquisition. Not included in this amount is $548,000 and $567,000 of amortization expense for the years ended December 31, 2016 and 2015, respectively, related to our capitalized technology, which is included in cost of revenues. Offsetting the increase in general and administrative expenses is a decrease in salary and salary-related expenses of $364,000 resulting from the reduction in our marketing headcount during 2015 and a decrease in professional fees of $143,000 incurred during the year ended December 31, 2015 related to the We Sell Cellular acquisition that are not included in the three months ended December 31, 2016.

Other Income (Expense)

Other expense during the year ended December 31, 2016 is comprised of ($1,497,000) of interest expense primarily attributable to the BAM Facility in connection with the We Sell Cellular acquisition and $370,000 related to the change in the fair value of the Placement Rights derivative liability. See Note 3 to our consolidated financial statements for a description of the rights. On July 27, 2016, we entered into an agreement with the Tepfers pursuant to which, effective July 1, 2016, the Tepfers agreed to waive the Placement Rights granted to them in connection with the We Sell Cellular acquisition. Accordingly, the derivative liability pertaining to the Placement Rights was eliminated with a corresponding credit to additional paid in capital.

Other expense during the year ended December 31, 2015 is primarily comprised of interest expense attributable to the BAM Facility.

Income Tax Benefit

The benefit for income taxes for the year ended December 31, 2015 relates to the release of the valuation allowance resulting from the deferred tax liability on the intangible assets acquired from We Sell Cellular.

Please see the discussion regarding Adjusted EBITDA on page 18. The following table presents Adjusted EBITDA, a non-GAAP financial measure, and provides a reconciliation of Adjusted EBITDA to the directly comparable GAAP measure reported in the Company's consolidated financial statements:

	Year Ended December 31,	
	2016	2015
Net loss	$(3,712,000)	$(2,632,000)
Income tax benefit	-	(2,393,000)
Stock-based compensation expense	525,000	2,954,000
Depreciation and amortization	1,912,000	820,000
Acquisition related costs	-	268,000
Interest expense	1,497,000	189,000
Interest and other income	-	(1,000)
Change in fair value of derivative liability	370,000	-
Adjusted EBITDA	$592,000	$(795,000)

Liquidity and Capital Resources

Cash Flows from Operating Activities

Operating activities provided $1,532,000 of cash during the nine months ended September 30, 2017, a decrease from $2,231,000 of cash provided by operating activities during the nine months ended September 30, 2016. Our net loss during the nine months ended September 30, 2017 of $2,520,000 was offset by $1,082,000 of depreciation and amortization, $374,000 of stock-based compensation, and $1,064,000 of amortization of debt issue costs related to the 2017 NPA. Changes in operating assets and liabilities provided $1,531,000 of cash during the nine months ended September 30, 2017.

Our net loss during the nine months ended September 30, 2016 of $2,535,000 was offset by $1,504,000 of depreciation and amortization, $370,000 due to the change in the fair value of the placement rights derivative liability, $364,000 of stock-based compensation, $348,000 of amortization of debt issue costs related to the BAM Facility and $112,000 from the loss on the disposal of property and equipment. Changes in operating assets and liabilities provided $2,069,000 of cash during the nine months ended September 30, 2016.

Operating activities used $409,000 of cash during the year ended December 31, 2016, a decrease from $3,343,000 of cash used in operating activities during the year ended December 31, 2015. Our net loss during the year ended December 31, 2016 of $3,712,000 was offset by $1,912,000 of depreciation and amortization, $370,000 due to the change in the fair value of the Placement Rights derivative liability, $524,000 of stock-based compensation, $479,000 of amortization of debt issue costs related to the BAM Facility and $112,000 from the loss on the disposal of property and equipment. Changes in operating assets and liabilities used $94,000 of cash during the year ended December 30, 2016. Our net loss during the year ended December 31, 2015 of $2,632,000 was primarily affected by an income tax benefit of $2,393,000, offset by $2,954,000 of stock-based compensation and $820,000 of depreciation and amortization. Changes in working capital used $2,148,000 of cash during the year ended December 31, 2015.

Cash Flows from Investing Activities

During the nine months ended September 30, 2017, we capitalized $407,000 of website development costs, we purchased $19,000 of property and equipment and our restricted cash account increased by $2,459,000 as a result of our requirement under the 2017 NPA to maintain a dedicated bank account controlled by the agent of our lender.

During the nine months ended September 30, 2016, we capitalized $435,000 of website development costs, we purchased $69,000 of property and equipment in connection with our move to our new warehouse location and our restricted cash account increased by $3,528,000 as a result of our requirement under the BAM Facility to maintain a dedicated bank account controlled by the agent of our lender.

During the year ended December 31, 2016, we capitalized $596,000 of website development costs, we purchased $94,000 of property and equipment in connection with our move to our new warehouse location, and our restricted cash account increased by $181,000 as a result of our requirement under the BAM Facility to maintain a dedicated bank account controlled by BAM, the agent of our lender.

During the year ended December 31, 2015, we paid $2,366,000 in connection with our acquisition of We Sell Cellular on October 26, 2015, we capitalized $601,000 of website development costs and purchased $17,000 of property and equipment. Our restricted cash account changed by $801,000 as a result of our requirement under the BAM Facility to maintain a dedicated bank account controlled by BAM.

Cash Flows from Financing Activities

During the nine months ended September 30, 2017, we received $8,572,000 in proceeds under the 2017 NPA and paid $310,000 in costs associated with the 2017 NPA. In addition, we repaid $8,080,000 of principal under the BAM Facility and made payments of $9,000 under our capital lease obligations. During the nine months ended September 30, 2016, we received $2,000,000 in proceeds under the BAM Facility and paid $50,000 in costs associated with the BAM Facility.

During the year ended December 31, 2016, we received $2,000,000 in proceeds under the BAM Facility and paid $100,000 in costs associated with the BAM Facility. During the year ended December 31, 2015, we received $6,000,000 in proceeds under our BAM Facility and paid $239,000 in costs associated with the BAM Facility.

Liquidity Discussion

We do not yet have a sustained history of financial stability. Since the acquisition of We Sell Cellular, we have relied on institutional debt to provide our working capital and complete the We Sell Cellular acquisition. Prior to the acquisition, our principal source of liquidity had been the issuances of convertible debt and equity securities (including to related parties), including preferred stock, common stock and various debt financing transactions. We believe that the continued increase in revenues and current institutional financing provide us with sufficient funds to meet our anticipated cash needs through December 2018.

Our cash flow has been significantly impacted by the We Sell Cellular acquisition. On January 13, 2017, we entered into the 2017 NPA with a lender pursuant to which we issued the lender a secured term note in the principal amount of $8,660,000 at an original issue discount of 1%, for gross proceeds of $8,572,400. We applied the proceeds received upon the issuance of the 2017 NPA to repay all amounts outstanding under the BAM Facility. The 2017 NPA requires repayment of principal in January 2020 and bears interest at an annual rate of 13.25%, which interest is due and payable monthly in arrears. In addition, the lender from whom the Company borrowed the funds under the 2017 NPA, established an SPE with the Company. Under the SPE, the lender provided $5 million of equity capital to purchase smartphones and similar inventory. The Company entered into a Services Agreement with the SPE and will provide all necessary services including inventory management. The Company will receive a percentage of the SPE's profits, if any. As of the date of this prospectus, we have not received any distributions from the SPE.

In November 2017, the Company raised $3,940,000 from the sale of 7,880,000 shares of common stock at $0.50 per share in a private placement offering to 14 accredited investors, including the Company's Chief Executive Officer and one of the Company's largest shareholders.

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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BUSINESS

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

Device Acquisition

uSell has two primary means of sourcing devices to satisfy demand from its global base of customers. The first source is through its wholly-owned subsidiary, We Sell Cellular, which was acquired in the fourth quarter of 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy used smartphones that have been traded in with the major carriers and the big box retailers, fully inspect and grade these devices, and then sell these devices wholesale and retail through its highly experienced sales force. We Sell Cellular is one of a few wholesalers that has qualified for R2 certification, the industry standard for both data destruction and environmental protection.

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

Device Disposition

We sell devices through three primary means:

- Utilizing our proprietary marketplace bidding platforms where buyers can source devices on demand

- Employing our highly experienced sales force to sell devices to our global customer base
- Leveraging third party eCommerce platforms such as eBay and Amazon

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

Revenue Model

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

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

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

Company Evolution

Our vision to build the premier online platform to match supply and demand of used mobile devices was established in 2010, as the smartphone trade in market was just beginning to take shape. From the beginning, we recognized the value of connecting a global marketplace of smaller wholesalers, distributors, and retailers with supply that they could otherwise not access. In April, 2012, we acquired ecoSquid Inc., or Acquisition Corp, which had developed the intellectual property that we licensed in order to implement the first iteration of our online platform.

Over the next two years, uSell acquired supply by advertising the uSell.com website directly to consumers, primarily through direct response, television advertising. Over time, an analysis of consumer price elasticity indicated that price, more so than any form of paid marketing, was what drove seller behavior. It became apparent that the way to increase the price that our buyers would pay our sellers for their devices was to reduce risk and eliminate friction in the transaction. These reductions in risk and friction came in many forms: automated shipping and logistics, seamless payment processing, and finally, centralized grading of devices with the launch of our Managed by uSell offering in October, 2014.

By the end of 2014, the trade in market had gone mainstream, as the carriers realized that trade-in was their means of eliminating the costly smartphone subsidies that they had been funding. During the launch of the iPhone 6 and 6S, major carriers like AT&T and Verizon and big box retailers, like Apple and Best Buy, became very aggressive in marketing their trade in programs. While this market shift created a challenge in terms of marketing directly to consumers, it presented the much larger opportunity of leveraging our technology to connect supply from major carriers, retailers, and manufacturers with demand from our large and growing global customer base

In 2015, we began seeking partnerships with wholesalers and distributors with direct access to this supply. Our efforts culminated in the acquisition of a top tier wholesaler, We Sell Cellular, in October, 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy used smartphones that have been traded in with the major carriers and the big box retailers, fully test and grade these devices, and then sell these devices wholesale and retail through its highly experienced sales force.

In 2016, we validated the synergy between uSell and We Sell Cellular by successfully integrating the two companies and migrating a meaningful portion of We Sell Cellular’s business online through the launch on our online auction platform. Furthermore, by empowering We Sell Cellular’s sales force with better technology and actionable data, we were able to drive meaningful improvements in efficiency.

In 2017, we continued to develop the platforms and technologies required to move the bulk of our customer interactions online. We also invested resources in optimizing the processes and technology needed to test and grade devices in our warehouse, with the aim of increasing processing efficiency while providing device level traceability to our suppliers. These improvements in our capabilities enabled us to expand relationships with both new and existing suppliers. Moving forward, the Company intends to complete the migration of its sales online and to continue to optimize its processes and technology to reduce waste throughout the entire transaction lifecycle.

Market Opportunity

Seven years ago, trade-in was merely an idea. Less than 10% of consumers at the time reported selling their used mobile devices. The vast majority of these valuable devices wasted away in potential sellers' drawers. Numerous concepts arose to capture this untapped value, from websites that offered to purchase devices directly, to marketplaces that enabled consumers to sell devices peer to peer, to ATM machines that offered cash for smartphones on the spot, and finally to point of sale trade-in systems marketed through carriers and retailers.

At first it was unclear which of these concepts was going to win, but these doubts have been erased over the last four years, as the wireless carriers realized that trade-in was their means of eliminating the costly smartphone subsidies that they had been funding. The dominant model that has evolved has two components: a leasing or financing component where the consumer is able to defer the cost of a device, and a trade-in component at the end of the term whereby the carrier can capture the residual value of the device. This model has achieved such rapid adoption that Apple offered its own solution in early September, 2015, with the launch of its iPhone Upgrade Program. For retailers like Apple, this model offers a different opportunity: the chance to control the relationship with the consumer.

As programs like these continue to proliferate throughout the world, the used smartphone market will expand dramatically. Deloitte Global estimates that the global used smartphone market was worth $17 billion in 2016, representing 50% growth over 2015. Furthermore, it forecasts that the growth rate of the used smartphone market is 4-5 times higher than the overall smartphone market and that it will likely accelerate through 2020 as both consumers and suppliers increasingly embrace the practice of selling or acquiring second-hand smartphones.

Despite this massive opportunity, there is no dominant online platform for smartphones geared towards professional merchants looking to acquire inventory.

Competition

The trade-in market for used mobile devices has gained significant momentum. Competitors include:

- Wireless carriers offering trade-in as a way for consumers to self-subsidize smartphones, either through a direct trade-in program, an Equipment Installment Plan (EIP), or a handset lease. While these carriers compete directly with our uSell.com trade-in platform, we also view them as an important channel to source wholesale inventory

- Retailers and big box stores such as Best Buy and Walmart that have implemented buyback programs. These retailers offer trade-in programs that issue gift cards or store credit. As in the case of the wireless carriers, these retailers compete directly with our uSell.com trade in platform, but they are also a channel to source wholesale inventory

- Large handset distributors and handset insurance providers that process and resell traded in devices for the carriers. As in the above cases, these companies also act as a channel to source wholesale inventory

- Large wholesalers and distributors, similar to We Sell Cellular, that purchase traded in devices from major carriers, big box retailers, manufacturers, and logistics providers. We estimate that, in the United States, there are fewer than five wholesalers of similar size to We Sell Cellular with the required certifications and financial resources to service the major carriers and retailers. We believe that, among these wholesalers, there is little to no technology enablement and a general lack of professional management

- Direct-to-consumer buyers such as Gazelle.com and ecoATM (both owned by Outerwall, Inc.)

- Traditional online marketplaces such as eBay and online classified sites such as Craigslist. These sites continue to offer an alternative to sellers but require a time intensive review of all available offers and less streamlined logistics. While we compete with these platforms to source devices, we also utilize them to sell devices

Government Regulation

Advertising and promotional information presented to visitors on our websites and other marketing activities that we have undertaken are subject to federal and state consumer protection laws that regulate unfair and deceptive practices. In the United States, Congress has begun to adopt legislation that regulates certain aspects of the Internet, including online content, user privacy, taxation, liability for third-party activities and jurisdiction. Such legislation includes the Communications Decency Act of 1996, which regulates content of material on the Internet and the Digital Millennium Copyright Act of 1998, which provides recourse for owners of copyrighted material who believe that their rights under U.S. copyright law have been infringed on the Internet. In the area of data protection, the U.S. Federal Trade Commission and certain state agencies have investigated various Internet companies' use of their customers' personal information, and certain federal and state statutes regulate specific aspects of privacy and data collection practices. We are also subject to a variety of state and federal regulations and laws including state telemarketing laws, federal and state privacy laws, the CAN-SPAM Act, and the Federal Trade Commission Act and its accompanying regulations and guidelines, including "little" unfair trade practice laws. Because we have in the past and may in the future engage in marketing activities over the Internet and email, we may be subject to some of these laws and regulations.

Federal, state, local and foreign governments are also considering other legislative and regulatory proposals that would regulate the Internet in more and different ways than exist today. It is impossible to predict whether new restrictions, fees, or taxes will be imposed on our services, and whether and how we would be affected. Increased regulation of the Internet both in the United States and abroad may decrease its growth and hinder technological development, which may negatively impact the cost of doing business via the Internet or otherwise materially adversely affect our business, financial condition or operational results.

Employees

As of December 15, 2017, we had 89 full-time employees and no part-time employees. None of our employees are subject to a collective bargaining agreement.

Intellectual Property

Our proprietary intellectual property consists of trade secrets. We rely primarily on a combination of copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual property rights. We enter into proprietary information and confidentiality agreements with our employees, consultants and commercial buyers and control access to, and distribution of our software documentation and other proprietary information. Our copyrights, trademarks and licenses expire at various dates, and we believe that none is individually significant.

Properties

We lease approximately 2,100 square feet for our corporate headquarters, sales, marketing, development and customer support divisions located in New York, New York under a lease expiring in August 2018.

We lease approximately 21,000 square feet for our warehouse and office located in Edgewood, New York under a lease expiring in September 2021.

We believe that our existing facilities are suitable and adequate and that we have sufficient capacity to meet our current anticipated needs. None of these facilities are critical to our operations because suitable alternatives are available in substantially all of the locations where we conduct business. We continuously review our anticipated requirements for facilities and, on the basis of that review, may from time to time acquire or lease additional facilities and/or dispose of existing facilities.

Legal Proceedings

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

MANAGEMENT

The following is a list of our directors and executive officers (including executive officers of We Sell Cellular). All directors serve one-year terms or until each of their successors are duly qualified and elected. The officers are elected by the Board of Directors, which we refer to as our "Board."

Name	Age	Position
Nikhil Raman	34	Chief Executive Officer and Director
Daniel Brauser	36	Executive Chairman
Jennifer Calabrese	46	Executive Vice President of Finance and Chief Financial Officer
Brian Tepfer	38	Executive Vice President and Director of uSell and Chief Executive Officer of We Sell Cellular
Scott Tepfer	35	Executive Vice President of uSell and President of We Sell Cellular
Peter Benz	57	Director
Grant Fitzwilliam	49	Director
Amitabh Jhawar	36	Director

Nikhil Raman was appointed as the Chief Executive Officer on November 6, 2014 and as a director on April 24, 2012. From January 27, 2012 until November 6, 2014, Mr. Raman served as our Chief Operating Officer. After graduating from Harvard Business School, Mr. Raman founded and served as Manager of Ft. Knox Recycling, LLC doing business as EcoSquid. Mr. Raman also served as Chief Executive Officer of EcoSquid from its founding through its acquisition by the Company in April 2012. From 2008 until 2010, Mr. Raman attended Harvard Business School. Mr. Raman was appointed a director in connection with the acquisition of EcoSquid.

Daniel Brauser has served as a director since July 23, 2008 and as Executive Chairman since November 6, 2014. From October 16, 2013 to November 6, 2014, Mr. Brauser served as our Chief Executive Officer. Additionally, Mr. Brauser served as our Chief Executive Officer from July 10, 2012 until October 10, 2012. Prior to being appointed Chief Executive Officer, Mr. Brauser served as our Chief Financial Officer from July 23, 2008 through July 10, 2012. From July 23, 2008 through May 7, 2009, Mr. Brauser also served as our President and Chief Operating Officer. From September 2014 through October 2016, Mr. Brauser also served as Chairman of Cousins Logistics, Inc. and from October 2016 through the present he has served as its Chief Executive Officer. From March 2015 until December 2015, Mr. Brauser served as a director of Cogint, Inc. (Nasdaq: COGT), a data and analytics company. Mr. Brauser was selected as a director for his extensive experience managing the growth of young companies from start-up through to maturity. In addition, as a founder of our reverse logistics business, Mr. Brauser possesses an in-depth understanding of the challenges and risks and characteristics unique to our business model and the reverse logistics market.

Jennifer Calabrese was appointed Executive Vice President of Finance on March 28, 2013 and Chief Financial Officer on April 11, 2014 initially on an interim basis and more recently on a permanent basis. Ms. Calabrese had been acting as our principal financial and accounting officer since October 2012 when our then Chief Financial Officer began providing a high level direction on a very limited basis due to health reasons. Since August 2012, Ms. Calabrese has been the Managing Member of Calabrese Consulting, LLC, a company she founded, which provides SEC financial reporting compliance and consulting services. From March 2010 through August 2012, Ms. Calabrese served as the Director of Accounting and SEC Reporting at eLandia Group, Inc., a provider of information technology products and services to small, medium-sized and large businesses as well as government entities, primarily in Latin America. From July 2007 through March 2010, Ms. Calabrese was the Managing Director of SEC Solutions Group, LLC, a company specializing in SEC financial reporting compliance and consulting services. She is a Certified Public Accountant in New York.

Brian Tepfer was appointed a director in October 2015 in connection with the acquisition of We Sell Cellular and has served as an Executive Vice President since November 2015. Mr. Tepfer was the Chief Executive Officer of BST for over five years prior to the We Sell Cellular acquisition. Mr. Tepfer was appointed as a director in connection with the We Sell Cellular acquisition and for his expertise and extensive knowledge of the smartphone wholesale business.

Scott Tepfer was appointed as an Executive Vice President on November 2015 and is the President of We Sell Cellular and has been for over five years prior to the We Sell Cellular acquisition.

Peter Benz was appointed a director on May 15, 2014. Mr. Benz is the Chief Executive Officer of Viking Asset Management, LLC, an asset and investment management company which he founded in 2001. Since June 2016, Mr. Benz has served as a director of Lilis Energy, Inc. (Nasdaq: LLEX), an oil and gas company. Since June 2015, Mr. Benz has served as a director of Cogint, Inc. (Nasdaq: COGT), a data and analytics company. Mr. Benz was appointed a director as a result of his knowledge and experience in developing companies and capital markets that strengthen our Board's collective qualifications, skills, and experience.

Grant Fitzwilliam has served as a director since September 30, 2009. Mr. Fitzwilliam is currently the President of 3c InSight, a software and consulting firm that he co-founded in 2008, which is focused on providing operational excellence solutions for companies throughout the United States. From August 2005 until August 2007, Mr. Fitzwilliam served as Executive Vice President of Finance and Chief Financial Officer of The Hackett Group, a leading business and technology consulting firm and also served as a Managing Director leading Hackett’s national Oracle and Sarbanes-Oxley business units. Mr. Fitzwilliam was formerly an auditor with KPMG LLP and is a licensed CPA in Georgia. Mr. Fitzwilliam was selected as a director for his accounting, financial and professional management experience.

Amitabh Jhawar was appointed a director on May 15, 2014. Since January 2012, Mr. Jhawar has been Chief Operating Officer and Chief Financial Officer of Braintree, a mobile app payments company. In December 2013, PayPal, which is an eBay (NASDAQ: EBAY) company, purchased Braintree for $800 million in cash. As COO and CFO at Braintree, Mr. Jhawar is responsible for the management and direction of that company's finance and accounting functions and new business development initiatives, including expanding Braintree's partnerships and continued international growth. Prior to Braintree, Mr. Jhawar was an Associate at KKR Capstone & Co. L.P. from July 2010 to December 2011. Previous to this, Mr. Jhawar was a student at Harvard Business School where he graduated with high honors in 2010. Mr. Jhawar was appointed a director due to his expertise in online marketplaces and accounting and finance.

Family Relationships

Except for Messrs. Scott and Brian Tepfer who are brothers, there are no family relationships among our directors and executive officers.

Corporate Governance

Board Responsibilities and Structure

The Board oversees, counsels, and directs management in the long-term interest of uSell and its shareholders. The Board's responsibilities include:

- Establishing broad corporate policies,
- Reviewing the overall performance of uSell and
- Monitoring risks.

The Board is not, however, involved in the operating details on a day-to-day basis.

Board Committees and Charters

The Board and its Committees meet and act by written consent from time to time as appropriate. The Board has formed and appointed members to its: Audit, Compensation and Nominating and Corporate Governance Committees. Committees are expected to regularly report on their activities and actions to the Board. Each of the Audit Committee and the Compensation Committee each have a written charter approved by the Board. Each of our committee charters, as well as our Code of Ethics and Insider Trading Policy are available through the "Investors" section on our website, which can be found at www.uSell.com. The information on, or that can be accessed through, our website is not incorporated herein. In addition, we will provide a copy of any of the foregoing documents, without charge, to anyone that requests one in writing to uSell.com, Inc., 171 Madison Avenue, 17^{th} Floor, New York, New York 10016, Attention: Corporate Secretary.

The following table identifies the independent and non-independent current Board and Committee members:

Name	Independent	Audit	Compensation	Nominating & Corporate Governance
Peter Benz	√	√	√	√
Daniel Brauser				
Grant Fitzwilliam	√	Chairman		√
Amitabh Jhawar	√	√	√	
Nikhil Raman				
Brian Tepfer				

Independence

Our Board has determined that Messrs. Benz, Fitzwilliam and Jhawar are independent under the NASDAQ Stock Market listing rules and are independent in accordance with the NASDAQ independence standards for audit committees and compensation committees.

Audit Committee

The Audit Committee's primary role is to review our accounting policies and any issues which may arise in the course of the audit of our financial statements. The Audit Committee selects our independent registered public accounting firm, approves all audit and non-audit services, and reviews the independence of our independent registered public accounting firm. The Audit Committee also reviews the audit and non-audit fees of the auditors. Our Audit Committee is also responsible for certain corporate governance and legal compliance matters including internal and disclosure controls and compliance with the Sarbanes-Oxley Act of 2002.

Our Board has determined that Grant Fitzwilliam and Amitabh Jhawar are qualified as Audit Committee Financial Experts, as that term is defined by the rules of the SEC and in compliance with the Sarbanes-Oxley Act of 2002.

Compensation Committee

The function of the Compensation Committee is to determine the compensation of our executive officers. The Compensation Committee has the power to set performance targets for determining periodic bonuses payable to executive officers and may review and make recommendations with respect to shareholder proposals related to compensation matters. Additionally, the Compensation Committee is responsible for administering our 2008 Equity Incentive Plan (the "Plan") and the 2016 Management Incentive Compensation Plan ("Incentive Plan").

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee assists the Board with developing and maintaining the Company's corporate governance policies, determining the qualifications, qualities, skills, and other expertise required to be a director and identifying individuals meeting those criteria. In considering prospective Board nominees, the Committee will consider, among other factors, the candidate's demonstrated leadership ability, business experience, and personal and professional ethics, as well as a candidate's independence under the NASDAQ standards. The Committee may also consider whether a prospective Board member will contribute a diversity of viewpoints, background, experience and demographics as compared to the current members of the Board.

The Committee will consider any nominations of director candidates validly made by stockholders in accordance with applicable laws, rules and regulations and the provisions of the Company's charter documents. Director candidates submitted by our stockholders will be evaluated by the Nominating and Corporate Governance Committee on the same basis as any other director candidates.

Board Assessment of Risk

The Board is actively involved in the oversight of risks that could affect uSell. This oversight is conducted primarily through the Audit Committee, but the full Board has retained responsibility for general oversight of risks. The Audit Committee considers and reviews with our independent public accounting firm and management the adequacy of our internal controls, including the processes for identifying significant risks and exposures, and elicits recommendations for the improvements of such procedures where desirable. In addition to the Audit Committee's role, the full Board is involved in oversight and administration of risk and risk management practices. Members of our senior management have day-to-day responsibility for risk management and establishing risk management practices, and members of management are expected to report matters relating specifically to the Audit Committee directly thereto, and to report all other matters directly to the Board as a whole. Members of our senior management have an open line of communication to the Board and have the discretion to raise issues from time-to-time in any manner they deem appropriate, and management's reporting on issues relating to risk management typically occurs through direct communication with directors or committee members as matters requiring attention arise. Members of our senior management regularly attend portions of the Board's meetings, and often discuss the risks related to our business.

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Presently, the largest risk affecting uSell is having sufficient liquidity to expand the business, continued integration of the We Sell and uSell business, and maintaining our relationships with our largest suppliers and obtaining additional suppliers. The Board actively interfaces with management on seeking solutions.

Risk Assessment Regarding Compensation Policies and Practices

Our compensation program for employees does not create incentives for excessive risk taking by our employees or involve risks that are reasonably likely to have a material adverse effect on uSell. Our compensation has the following risk-limiting characteristics:

- A portion of executive incentive compensation opportunity is tied to long-term incentive compensation that emphasizes sustained performance over time. This reduces any incentive to take risks that might increase short-term compensation at the expense of longer-term Company results.
- Equity awards may be recovered by us should a restatement of earnings occur upon which incentive compensation awards were based, or in the event of other wrongdoing by the recipient; and
- Equity awards, generally, have multi-year vesting which aligns the long-term interests of our executives with those of our shareholders and, again, discourages the taking of short-term risk at the expense of long-term performance.

Code of Ethics

Our Board has adopted a Code of Ethics that applies to all of our employees, including our Chief Executive Officer and Chief Financial Officer. Although not required, the Code of Ethics also applies to our directors. The Code of Ethics provides written standards that we believe are reasonably designed to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure and compliance with laws, rules and regulations, including insider trading, corporate opportunities and whistle-blowing or the prompt reporting of illegal or unethical behavior. See “Board Committees and Charters,” above, for information on accessing or requesting a copy, free of charge, of our Code of Ethics and other corporate governance documents.

Shareholder Communications

Although we do not have a formal policy regarding communications with our Board, shareholders may communicate with the Board by writing to us at uSell.com, Inc., 171 Madison Avenue, 17^{th} Floor, New York, New York 10016, Attention: Corporate Secretary, or by facsimile (888) 748-1120. Shareholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

EXECUTIVE COMPENSATION

The following information is related to the compensation paid, distributed or accrued by us to our Chief Executive Officer (principal executive officer) and the two other most highly compensated executive officers serving at the end of the last fiscal year whose total compensation exceeded $100,000 in 2016. We refer to these persons as the "Named Executive Officers."

<u>2016 Summary Compensation Table</u>

Name and Principal Position (a)	Year (b)(1)	Salary ($)(c)	Stock Awards ($)(e)(2)	Non-Equity Incentive Plan Compensation ($)(g)(3)	Total ($)(j)
Nikhil Raman	2016	157,500	-	16,669	174,169
Chief Executive Officer of uSell	2015	147,920	385,000	-	532,920
Brian Tepfer Executive Vice President of uSell and Chief Executive Officer of We Sell Cellular	2016	455,962	-	31,255	487,217
Scott Tepfer Executive Vice President of uSell and President of We Sell Cellular	2016	455,962	-	31,255	487,217

(1) Brian and Scott Tepfer were not Named Executive Officers in 2015.

(2) The amounts in this column represent the fair value of the award as of the grant date as computed in accordance with FASB ASC Topic 718 and the SEC disclosure rules. These amounts represent equity awards and do not reflect the actual amounts that may be realized by the Named Executive Officer. Our assumptions with respect to the calculation of these values are set forth in Note 2 of our consolidated financial statements contained herein.

(3)

Represents cash compensation earned under the Company's Incentive Plan. See below for a description the eligibility of quarterly bonus payments under the Incentive Plan.

Named Executive Officer Employment Arrangements

Nikhil Raman. Prior to April 1, 2015, Nikhil Raman received a base salary of $175,000 per year under an oral contract. Effective April 1, 2015, Mr. Raman's base salary was reduced to $140,000 and later increased to $175,000 per year effective July 1, 2016.

Brian Tepfer. Effective October 23, 2015, the Company and Brian Tepfer entered into an Employment Agreement providing for the following: (i) an initial term ending December 31, 2018 with automatic one-year renewals unless notice of termination is given, (ii) a base salary of $500,000 per year which is subject to downward adjustments based on the failure to meet future EBITDA targets, provided that no adjustment(s) may be made to cause the annual base salary below $360,000, and (iii) a semi-annual target bonus of $250,000, subject to upward and downward adjustment based on the attainment of EBITDA targets. In July 2016, Mr. Tepfer waived his right to the semi-annual target bonus in consideration, in part, for the right to receive a quarterly bonus equal to 4.5% of quarterly gross EBITDA under the Company's Incentive Plan (described below). In November 2017, Mr. Tepfer's employment agreement was amended to reduce the annual base salary $250,000 and the provisions providing for adjusted base salary were eliminated.

Scott Tepfer. Effective October 23, 2015, the Company and Scott Tepfer entered into an Employment Agreement providing for the following: (i) an initial term ending December 31, 2018 with automatic one-year renewals unless notice of termination is given, (ii) a base salary of $500,000 per year which is subject to downward adjustments based on the failure to meet future EBITDA targets, provided that no adjustment(s) may be made to cause the annual base salary below $360,000, and (iii) a semi-annual target bonus of $250,000, subject to upward and downward adjustment based on the attainment of EBITDA targets. In July 2016, Mr. Tepfer waived his right to the semi-annual target bonus in consideration, in part, for the right to receive a quarterly bonus equal to 4.5% of quarterly gross EBITDA under the Company's Incentive Plan (described below). In November 2017, Mr. Tepfer's employment agreement was amended to reduce the annual base salary $250,000 and the provisions providing for adjusted base salary were eliminated.

Termination Provisions

Both Scott and Brian Tepfer have severance provisions which provide that in the event their Employment Agreement is terminated for Good Reason or without Cause (both as described below). In the event the executive terminates their Employment Agreement for Good Reason, the Company terminates the Executive's employment without cause or the Company elects not to renew the Employment Agreement upon the termination of the initial term or any extension thereof, the executive shall be entitled to the following:

(i) any accrued but unpaid base salary through the termination date,

(ii) an amount equal to the executive's base salary for the remainder of the term, but no less than twelve months' base salary;

(iii) any earned but unpaid bonus for any six month measuring period ended prior to the date of termination; and

(iv) any earned but unpaid bonus for the six month measuring period in which termination occurs (to the extent it can be calculated).

The term "Good Reason" is generally defined as the material diminution of the executive officers' duties due to no fault of the executive or any other action or inaction that constitutes a material breach by the Company under the Employment Agreements including reduction in compensation or relocation of employment.

Outstanding Equity Awards at 2016 Fiscal Year-End

Listed below is information with respect to unexercised options and shares of common stock that have not vested for each Named Executive Officer outstanding as of December 31, 2016:

Outstanding Equity Awards At Fiscal Year-End

Name	**Number of**	**Market**
(a)	**Shares or**	**Value of**
	Units of	**Shares or**

	Stock That Have Not Vested (#) (g)(1)	Units of Stock That Have Not Vested ($)(h)(1)
Nikhil Raman	200,000	102,000

(1) Represents unvested restricted stock units. Market value is based on $0.51 closing price on December 31, 2016. As of the date of this prospectus, 250,000 of these restricted stock units had vested and had been delivered.

Management Incentive Compensation Plan

On July 27, 2016, the Company adopted the Incentive Plan. The Incentive Plan provides that each quarter that the Company meets certain gross EBITDA thresholds, participants will be eligible to receive quarterly bonuses. The Incentive Plan is effective through September 2018. The Incentive Plan provides for minimum bonus eligibility thresholds set at quarterly gross EBITDA levels that ensure that the Company will remain cash-flow positive and in compliance with all debt covenants over the term after payment of bonuses. If the Company does not meet the minimum EBITDA threshold in a given quarter, no bonus is payable under the Incentive Plan for that quarter. Bonuses will be subject to adjustment in the event the Company’s year-end audit results in restatement of a prior quarter’s EBITDA.

As of the date of this prospectus, the Company has granted Nikhil Raman, Brian Tepfer and Scott Tepfer eligibility under the Incentive Plan to receive a quarterly bonus representing 2.4%, 4.5% and 4.5%, respectively, of quarterly gross EBITDA. As of the date of this prospectus, a total of $215,657 was earned, of which total of $107,829 has been paid under the Incentive Plan. Of this amount, Mr. Raman earned $45,401 and was paid $22,701, and Brian Tepfer and Scott Tepfer each earned $85,128 and were paid $42,564.

Director Compensation

We do not pay cash compensation to our directors for service on our Board. Directors are reimbursed for reasonable expenses incurred in attending meetings and carrying out duties as Board and committee members. Executive officers serving on the Board are not compensated for their service as directors. The following table reflects compensation paid to certain directors in 2016.

Name (a)	**Stock Awards ($)(c)(1)(2)**	**Total ($)(j)**
Peter Benz	123,000	123,000
Daniel Brauser	0	0
Grant Fitzwilliam	20,000	20,000
Amitabh Jhawar	70,000	70,000
Nikhil Raman	0	0
Brian Tepfer	0	0

(1) Amounts reported represent the aggregate grant date fair value of awards granted without regards to forfeitures granted to the independent members of our board of directors during 2016, computed in accordance with ASC 718. This amount does not reflect the actual economic value realized by the director.

(2) On January 6, 2016, the Company granted 100,000 restricted stock units to Peter Benz, including 10,000 restricted stock units for service as an Audit Committee member, 70,000 restricted stock units to Amitabh Jhawar, including 10,000 restricted stock units for service as an Audit Committee member, and 20,000 restricted stock units to Grant Fitzwilliam for service as Audit Committee Chairman. Each of the awards vest in two equal annual increments, subject to continued service on each vesting date, with the first vesting date being one year from the grant date, and fully vesting upon a change in control.

Equity Compensation Plan Information

The following chart reflects the number of awards granted under equity compensation plans approved and not approved by shareholders and the weighted average exercise price for such plans as of December 31, 2016.

Name Of Plan	**Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights(1) (a)**	**Weighted-average exercise price of outstanding options warrants and rights (b)($)**	**Number of shares remaining available for future issuance under equity compensation plans (excluding the shares reflected in column (a))(2) (c)**
Equity compensation plans approved by security holders			
2012 Equity Incentive Plan (2)	263,000	1.61	365,188
Non-Plan Equity Compensation (3)	315,018	3.04	N/A
Equity compensation plans not approved by security holders (4)	350,000	-	-
Total	928,018	2.59	365,188

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(1) Consists of stock options and restricted stock units.

(2) This represents securities issued under the Plan. As of December 31, 2016, we had 365,188 shares remaining under the Plan. Because we have issued 953,835 shares of restricted stock, the number of securities available for future issuance has been reduced.

(3) This represents securities issued outside our Plan. Includes 53,332 of fully vested options granted to executive officers and directors with a weighted average exercise price of $3.00 per share.

(4) Represents restricted stock units granted to Mr. Nikhil Raman.

In April 2016, uSell amended the Plan to increase the number of authorized shares under the Plan by 200,000 shares (to a total of 1,582,023 authorized shares). In April 2017, uSell amended the Plan to increase the number of authorized shares under the Plan by 150,000 shares (to a total of 1,732,023 authorized shares).

PRINCIPAL SHAREHOLDERS

The following table sets forth the number of shares of our common stock beneficially owned as of December 15, 2017 by (i) those persons known by us to be owners of more than 5% of our common stock, (ii) each director, (iii) our Named Executive Officers and (iv) all of our executive officers and directors of as a group. Unless otherwise specified in the notes to this table, the address for each person is: c/o uSell.com, Inc., 171 Madison Avenue, 17th Floor, New York, New York 10016.

Title of Class	Beneficial Owner	**Amount and Nature of Beneficial Owner (1)**	**Percent of Class (1)**	
Directors and Executive Officers:				
Common Stock	Nikhil Raman (2)	8,734,900	30.9	%
Common Stock	Brian Tepfer (3)	8,734,900	30.9	%
Common Stock	Scott Tepfer (3)	8,734,900	30.9	%
Common Stock	Daniel Brauser (4)	9,209,342	32.6	%
Common Stock	Peter Benz (5)	80,500	*	
Common Stock	Grant Fitzwilliam (6)	38,369	*	
Common Stock	Amitabh Jhawar (7)	38,000	*	
Common Stock	All directors and executive officers as a group (8 persons) (8)	8,921,588	31.5	%
5% Shareholders:				
Common Stock	Todd Oretsky (9)	1,132,342	4.0	%
Common Stock	Hakan Koyuncu (10)	1,132,342	4.0	%
Common Stock	Douglas Feirstein (11)	1,132,342	4.0	%
Common Stock	Kokino, LLC (12)	6,957,837	23.4	%
Common Stock	PVAM Perlus Microcap Fund, LP (13)	4,000,000	14.1	%

* Less than 1%.

(1) Applicable percentages are based on 28,286,999 shares of common stock outstanding as of December 15, 2017. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power

with respect to securities. Shares of common stock subject to options, warrants, convertible notes and preferred stock currently exercisable or convertible or exercisable or convertible within 60 days are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. The table includes shares of common stock, options, warrants, and preferred stock exercisable or convertible into common stock and vested or vesting within 60 days. Unless otherwise indicated in the footnotes to this table, we believe that each of the shareholders named in the table has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by them. The table does not include: (i) restricted stock units that do not have the right to vote until they vest and the shares are delivered or (ii) unvested options that do not vest within 60 days of the date listed above in this Note 1.

The shares of common stock beneficially owned by each of Messrs. Daniel Brauser, Feirstein, Koyuncu and Oretsky include all shares of common stock subject to a Shareholders Agreement, which terminates when each member of the group beneficially owns less than 127 shares. Under the Shareholders Agreement, the group agreed to vote all of their shares of common stock together on any action as determined by a majority of the members of the group still owning 25 shares. The shares of common stock individually owned by them are:

Mr. Brauser	657,900 shares
Mr. Feirstein	457,195 shares
Mr. Koyuncu	6,096 shares
Mr. Oretsky	11,151 shares

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The shares of common stock beneficially owned by each of Messrs. Brauser, Raman, and Brian and Scott Tepfer include all shares of common stock subject to a Shareholders Agreement. Under the Shareholders Agreement, each person agreed that, in connection with any annual meeting, special meeting or written consent of uSell shareholders, such person would vote together with the other three parties on each matter. However, the parties further agreed that if they cannot reach an agreement, then the affirmative vote of at least 75% of the voting power of all shares of outstanding voting stock of uSell is required to take action. As a result, for so long as the Shareholders Agreement remains in effect, future action by uSell shareholders will effectively require either the unanimous consent of Raman, Brauser, and the Tepfers, or a 75% supermajority vote of outstanding shares. This voting agreement terminates if certain covenants under the Securities Purchase Agreement are not met. The shares of common stock individually owned by them are:

Mr. Brauser	657,900 shares
Mr. Raman	1,071,000 shares
Mr. Brian Tepfer	3,503,000 shares
Mr. Scott Tepfer	3,503,000 shares

(2) Mr. Raman is a director and executive officer. See Note 1 above regarding a Shareholders Agreement that Mr. Raman is subject to.

(3) Mr. Brian Tepfer is a director and both Brian and Scott Tepfer are Named Executive Officers. See Note 1 above regarding a Shareholders Agreement that both of the Tepfers are subject to.

(4) Mr. Daniel Brauser is a director and executive officer. See Note 1 above regarding two Shareholders Agreements that Mr. Brauser is subject to.

(5) Mr. Benz is a director.

(6) Mr. Fitzwilliam is a director.

(7) Mr. Jhawar is a director.

(8) Includes executive officers of uSell and We Sell Cellular who are not Named Executive Officers. Excludes shares that are owned by non-executive officers and directors which are subject to Shareholders Agreements.

(9) Mr. Oretsky is a former executive officer and director. Mr. Oretsky's shares are held by Jack Oretsky Holdings, LLC, a limited liability company in which Mr. Oretsky, to our knowledge, is the managing member. Mr. Oretsky is a former director and executive officer. Address is 547 N.E. 59th Street, Miami, Florida 33137. See Note 1 above

regarding a Shareholders Agreement that Mr. Oretsky is subject to.

(10) Mr. Koyuncu is a former executive officer and director. Address is 750 SW 3rd Street, Boca Raton, Florida 33486. See Note 1 above regarding a Shareholders Agreement that Mr. Koyuncu is subject to.

(11) Mr. Feirstein is a former executive officer and director. Represents 393,198 shares of common stock (of which 103,176 are held by the Feirstein Family Holdings, LLLP, an entity controlled by Mr. Feirstein. See Note 1 above regarding a Shareholders Agreement that Mr. Feirstein is subject to.

(12) Includes: (i) 550,000 shares and 275,000 warrants held by Leslie J. Schreyer, as Trustee under Trust Agreement dated December 23, 1989 FBO the issue of Jonathan D. Sackler (the "Trust"), (ii) 300,000 shares and 150,000 warrants held by M3C Holdings LLC ("M3C"), and (iii) 124,000 shares held jointly by Robert Averick and his wife. Piton Capital Partners, LLC ("Piton") is managed by Piton Capital Management LLC, which is managed by Kokino, LLC ("Kokino"), which is a family office that provides investment management services to its family clients, including the Trust, Piton and M3C. As a Portfolio Manager at Kokino, Mr. Averick shares the power to vote and dispose (or direct the disposition of) 6,957,837 shares of common Stock, which is the sum of the common stock beneficially owned by the following reporting persons: (i) 825,000 shares of common stock beneficially owned by the Trust; (ii) 450,000 shares of common stock beneficially owned by M3C; (iii) 5,358,837 shares of common stock beneficially owned by Piton (including 1,000,000 shares underlying an option to buy stock); (iv) 124,000 shares of common stock beneficially owned by Mr. Averick and his wife; and (v) 200,000 shares of common stock beneficially owned by Mr. Averick. This information is based on the Schedule 13D/A filed on November 22, 2017. Piton's address is: 201 Tresser Boulevard, 3rd Floor Stamford, Connecticut 06901.

(13) Address is 5th Floor, 37 Esplanade, St. Helier, Jersey, Channel Islands JE1 2TR.

SELLING SHAREHOLDERS

The following table provides information about each selling shareholder listing how many shares of our common stock they own on the date of this prospectus, how many shares are offered for sale by this prospectus, and the number and percentage of outstanding shares each selling shareholder will own after the offering assuming all shares covered by this prospectus are sold. Except as disclosed in this prospectus, none of the selling shareholders have had any position, office, or material relationship with us or our affiliates within the past three years. The information concerning beneficial ownership has been taken from our stock transfer records and information provided by the selling shareholders. Information concerning the selling shareholders may change from time to time, and any changed information will be set forth if and when required in prospectus supplements or other appropriate forms permitted to be used by the SEC.

We do not know when or in what amounts a selling shareholder may offer shares for sale. The selling shareholders may not sell any or all of the shares offered by this prospectus. Because the selling shareholders may offer all or some of the shares, and because there are currently no agreements, arrangements or understandings with respect to the sale of any of the shares, we cannot estimate the number of the shares that will be held by the selling shareholders after completion of the offering. However, for purposes of this table, we have assumed that, after completion of the offering, all of the shares covered by this prospectus will be sold by the selling shareholder.

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Unless otherwise indicated, the selling shareholders have sole voting and investment power with respect to their shares of common stock. All of the information contained in the table below is based upon information provided to us by the selling shareholders, and we have not independently verified this information. The selling shareholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since the date on which it provided the information regarding the shares beneficially owned, all or a portion of the shares beneficially owned in transactions exempt from the registration requirements of the Securities Act of 1933 (the "Securities Act").

The number of shares outstanding and the percentages of beneficial ownership are based on 28,286,999 shares of our common stock issued and outstanding as of December 15, 2017. For the purposes of the following table, the number of shares common stock beneficially owned has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act") and such information is not necessarily indicative of beneficial ownership for any other purpose. Under Rule 13d-3, beneficial ownership includes any shares as to which a selling shareholder has sole or shared voting power or investment power and also any shares which that selling shareholder has the right to acquire within 60 days of the date of this prospectus through the exercise of any stock option, warrant or other rights.

Name (1)	**Number of securities beneficially owned before offering**	**Number of securities to be offered**	**Number of securities owned after offering**	**Percentage of securities beneficially owned after offering**	
Pvam Perlus Microcap Fund L.P. (2)	4,000,000	4,000,000	0	0	%
Piton Capital Partners LLC (3)	6,957,837	2,000,000	4,957,837	17.5	%
Gerald Unterman	1,346,333	600,000	746,333	2.6	%
Plough Penny Partners LP (4)	405,289	200,000	205,289	*	
Robert Averick (5)	324,000	200,000	124,000	*	
Nikhil Raman (6)	1,071,000	200,000	871,000	3.1	%
Feirstein Family Holdings LLP (7)	457,195	100,000	357,195	1.3	%
Shine on Holdings, LLC (8)	20,000	20,000	0	0	%

Edward Anthony Shergalis III	100,000	100,000	0	0	%
FMSBonds, Inc. Employee 401K Profit Sharing Plant Trust FBO (9)	88,333	30,000	58,333	*	
2005 Trenchard Family Trust u/d/t 9/21/2005 (10)	108,095	100,000	8,095	*	
Musha Investments LLC (11)	38,333	30,000	8,333	*	
Matthew Miller	50,000	50,000	0	0	%
Joshua Hix	250,000	250,000	0	0	%

*Less than 1%.

(1) For all of the selling shareholders who are not natural persons, unless noted otherwise, the investment managers, general partners, trustees or principals named in the footnotes below have the sole voting and dispositive power over the shares held by the selling shareholders.

(2) Mr. David LaSalle has the power to vote and dispose of the securities held by the selling shareholder. See Note 13 of the Principal Shareholder table on page 34.

(3) Mr. Robert Averick has the power to vote and dispose of the securities held by the selling shareholder. See Note 12 of the Principal Shareholder table on page 34. See Note 5 below.

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(4) Mr. Judson B. Traphagan has the power to vote and dispose of the securities held by the selling shareholder.

(5) See Note 12 of the Principal Shareholder table on page 34. The shares included in the beneficial ownership amount pre and post offering includes the shares held by Mr. Averick individually and with his wife.

(6) Mr. Raman is the Chief Executive Officer of uSell. Beneficial ownership in this table does not include shares that Mr. Raman is deemed to beneficially own as a result of being a party to a shareholders agreement. See Note 1 of the Principal Shareholder table on page 34.

(7) Mr. Douglas Feirstein has the power to vote and dispose of the securities held by the selling shareholder. Mr. Feirstein was previously a director and executive officer of uSell. Beneficial ownership in this table does not include shares that Mr. Feirstein is deemed to beneficially own as a result of being a party to a shareholders agreement. See Note 1 of the Principal Shareholder table on page 34.

(8) Mr. Chad Whitaker has the power to vote and dispose of the securities held by the selling shareholder

(9) Mr. Michael Seligsohn has the power to vote and dispose of the securities held by the selling shareholder.

(10) Mr. William Trenchard has the power to vote and dispose of the securities held by the selling shareholder.

(11) Mr. Aadil Mamujee has the power to vote and dispose of the securities held by the selling shareholder.

RELATED PERSON TRANSACTIONS

Jennifer Calabrese, our Executive Vice President of Finance and Chief Financial Officer, provides her services through Calabrese Consulting, LLC, a company she controls. Beginning in April 2014, we began paying this company $50,000 per year. As of April 2015 and through September 2016, Ms. Calabrese received shares of common stock in lieu of $2,083 of monthly cash compensation. Beginning in October 2016, we began paying this company on an hourly basis.

On April 14, 2016, the Company approved an equity arrangement to compensate Jennifer Calabrese for her expanded role within the Company related to the acquisition and management of We Sell Cellular, LLC. Under the arrangement, effective January 1, 2016 and through June 30, 2016, Ms. Calabrese was being issued 1,000 shares of the Company's common stock monthly in addition to her existing salary and equity arrangements with the Company until such time as the Company's hires a full time Chief Financial Officer.

In November 2014, uSell entered into a Consulting Agreement with Sunder Raman, the father of Nikhil Raman, our Chief Executive Officer. In connection with this agreement, Mr. Raman was issued 35,000 restricted stock units which vested in equal increments every three months over a 36-month period, subject to him providing services on each applicable vesting date. All of these restricted stock units have vested.

In connection with the acquisition of We Sell Cellular, the Company issued the Brian and Scott Tepfer (collectively, the "Tepfers") 9,358,837 shares of uSell common stock (or approximately 49% of uSell on a fully-diluted basis). In accordance with the We Sell Securities Purchase Agreement (the "SPA"), if the Tepfers elected to sell shares of common stock, uSell would use its best efforts to assist the Tepfers in selling their shares of uSell stock acquired under the SPA for up to $6,000,000 in gross proceeds (together and not each) through private placements or public offerings (the "Placement Rights"), with target sales of $1,500,000 quarterly, commencing the quarter ending December 31, 2015. If the price per share received by the Tepfers was less than the greater of $1.20 or the product of an EBITDA-based formula, uSell will issue the Tepfers additional shares of uSell stock. In addition, pursuant to the SPA, uSell granted the Tepfers certain piggyback registration rights and a right of first refusal to participate in future uSell financings. On July 27, 2016, the Company entered into an agreement with the Tepfers whereby the Tepfers agreed to waive the Placement Rights granted to them under the SPA. The Tepfers also agreed to waive the bonus rights under their respective employment agreements with the Company dated October 23, 2015 which provided for potential annual bonuses in a combined amount exceeding $1,000,000. In exchange for agreeing to waive the Placement Rights and bonus rights, each of the Tepfers was granted the right to receive a quarterly bonus equal to 4.5% of quarterly gross EBITDA under the Incentive Plan. See the Section titled "Named Executive Officer Employment Arrangements" above for disclosure regarding amendment to the Tepfers' Employment Agreements.

On December 22, 2016, the Tepfers each sold 500,000 shares of Company's common stock at $1.00 per share to Piton, an investment fund (the "Purchaser") and each issued to the Purchaser a five-year option to purchase an additional 500,000 shares of common stock of the Company at a $1.00 per share. The securities were sold in a private transaction which was initiated by an investment fund that has investment power on behalf of the Purchaser. As an inducement to the Purchaser, the Company granted demand and piggy back registration rights to the Purchaser and another shareholder of the Company over which the Purchaser exercises investment power. If the registration rights are exercised, the two investment funds will pay the legal and other expenses of the Company and only exercise such demand rights at a time when the Company is obligated to file its Form 10-K or a Form 10-Q. In connection with the filing of this registration statement, the Purchaser agreed to defer these registration rights for six months from the closing of the November 2017 private placement.

See page 28 for a discussion of director independence.

DESCRIPTION OF SECURITIES

Common Stock

We are authorized to issue 43,333,333 shares of common stock, par value $0.0001 per share. As of December 15, 2017, there were 28,286,999 shares of common stock outstanding. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of shareholders, including the election of directors. There is no cumulative voting in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the Board out of funds legally available for payment of dividends subject to the prior rights of holders of preferred stock and any contractual restrictions we have against the payment of dividends on common stock. In the event of our liquidation or dissolution, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive rights and have no right to convert their common stock into any other securities.

Preferred Stock

We are authorized to issue of 25,000,000 shares of $0.0001, par value preferred stock in any series. The Board has the authority to establish and designate a series, and to fix the number of shares included in such series and the variations in the relative rights, preferences and limitations in the series. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by shareholders and could adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, the issuance of preferred stock could depress the market price of the common stock.

Anti-takeover Effects of Delaware Law

We are subject to the “business combination” provisions of Section 203 of the Delaware General Corporation Law. In general, such provisions prohibit a publicly-held Delaware corporation from engaging in various “business combination” transactions such as a merger with any interested shareholder which includes, a shareholder owning 15% of a corporation’s outstanding voting securities, for a period of three years after the date in which the person became an interested shareholder, unless:

- The transaction is approved by the corporation’s Board prior to the date the shareholder became an interested shareholder;

- Upon closing of the transaction which resulted in the shareholder becoming an interested shareholder, the shareholder owned at least 85% of the shares of stock entitled to vote generally in the election of directors of the corporation outstanding excluding those shares owned by persons who are both directors and officers and specified types of employee stock plans; or

- On or after such date, the business combination is approved by the Board and at least 66 2/3% of outstanding voting stock not owned by the interested shareholder.

A Delaware corporation may opt out of Section 203 with either an express provision in its original Certificate of Incorporation or an amendment to its Certificate of Incorporation or Bylaws approved by its shareholders. We have not opted out of this law. This law could prohibit, discourage or delay mergers or other takeover attempts to acquire us.

Special Meetings of Shareholders

Special meetings of the shareholders shall be held when directed by the Board, or when requested in writing by the holders of not less than 10 percent of all the shares entitled to vote at the meeting.

Transfer and Warrant Agent

We have appointed Island Stock Transfer, as our transfer and warrant agent. Their contact information is: 100 Second Avenue South, Ste. 705S, St. Petersburg, Florida 33701, phone number (727) 289-0010, facsimile (727) 289-0069, www.islandstocktransfer.com.

PLAN OF DISTRIBUTION

Each selling shareholder of the common stock being registered hereunder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on the OTC Markets or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling shareholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling shareholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling shareholders may arrange for other brokers or dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2121 or NASD Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASD IM-2440.

In connection with the sale of the common stock or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling shareholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling shareholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling shareholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares. The Company has agreed to indemnify the selling shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because selling shareholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling shareholders.

The shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling shareholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling shareholders or any other person. We will make copies of this prospectus available to the selling shareholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Nason, Yeager, Gerson, White & Lioce, P.A., Palm Beach Gardens, Florida.

EXPERTS

The financial statements appearing in this prospectus and registration statement as of and for the years ended December 31, 2016 and 2015 have been audited by Marcum LLP an independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of the firm as an expert in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including the exhibits, schedules, and amendments to this registration statement, under the Securities Act with respect to the securities to be sold in this offering. This prospectus, which is part of the registration statement, does not contain all the information set forth in the registration statement. For further information with respect to us and the securities to be sold in this offering, we make reference to the registration statement. Although this prospectus contains all material information regarding us, statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance we make reference to the copy of such contract, agreement, or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. We are an Exchange Act reporting company and are required to file periodic reports on Form 10-K and 10-Q and current reports on Form 8-K. You may read and copy all or any portion of the registration statement or any other information, which we file at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549, on official business days during the hours of 10:00 AM to 3:00 PM. We also file periodic reports and other information with the SEC. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings, including the registration statement, are also available to you on the SEC's website, www.sec.gov and on our investor relations website which you can find at usell.com.

Index to Consolidated Financial Statements

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

uSell.com, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	September 30, 2017 (unaudited)	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$477,610	$1,657,422
Restricted cash	3,440,837	982,064
Accounts receivable, net	396,186	430,171
Inventory, net	7,658,053	8,874,099
Prepaid expenses and other current assets	94,834	130,141
Total Current Assets	**12,067,520**	12,073,897
Property and equipment, net	181,921	191,957
Goodwill	8,448,759	8,448,759
Intangible assets, net	3,142,337	3,724,466
Capitalized technology, net	884,424	934,193
Other assets	61,750	124,358
Total Assets	**$24,786,711**	$25,497,630
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$4,208,200	$4,328,422
Accrued expenses	1,366,616	916,961
Due to related party	48,991	—
Promissory note payable	—	673,332
Deferred revenue	229,152	374,098
Capital lease obligations	14,029	10,664
Total Current Liabilities	**5,866,988**	6,303,477
Promissory note payable, net of current portion	8,310,148	6,441,000
Capital lease obligations, net of current portion	49,851	47,986
Total Liabilities	**14,226,987**	12,792,463

Stockholders' Equity:		
Convertible Series A preferred stock; $0.0001 par value; 325,000 shares authorized; no shares issued and outstanding	—	—
Convertible Series B preferred stock; $0.0001 value per share; 4,000,000 shares authorized; no shares issued and outstanding	—	—
Convertible Series C preferred stock; $0.0001 value per share; 146,667 shares authorized; no shares issued and outstanding	—	—
Convertible Series E preferred stock; $0.0001 value per share; 103,232 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.0001 par value; 43,333,333 shares authorized; 20,154,999 and 20,134,999 shares issued and outstanding, respectively	2,015	2,013
Additional paid in capital	71,464,215	71,089,882
Accumulated deficit	(60,906,506)	(58,386,728)
Total Stockholders' Equity	**10,559,724**	12,705,167
Total Liabilities and Stockholders' Equity	**$24,786,711**	$25,497,630

See accompanying notes to unaudited interim condensed consolidated financial statements.

uSell.com, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$28,872,702	$24,817,307	$81,141,673	$73,098,642
Cost of Revenue	27,314,910	22,750,001	75,863,429	68,319,317
Gross Profit	1,557,792	2,067,306	5,278,244	4,779,325
Operating Expenses:				
Sales and marketing	532,757	468,624	1,617,531	1,259,524
General and administrative	1,312,713	1,605,398	4,207,210	4,594,637
Total operating expenses	1,845,470	2,074,022	5,824,741	5,854,161
Loss from Operations	(287,678)	(6,716)	(546,497)	(1,074,836)
Other (Expense) Income:				
Interest income	—	429	—	429
Interest expense	(337,352)	(405,192)	(1,973,281)	(1,090,325)
Change in fair value of placement rights derivative liability	—	—	—	(370,000)
Total Other Expense, Net	(337,352)	(404,763)	(1,973,281)	(1,459,896)
Net Loss	$(625,030)	$(411,479)	$(2,519,778)	$(2,534,732)
Basic and Diluted Loss per Common Share:				
Net loss per common share - basic and diluted	$(0.03)	$(0.02)	$(0.13)	$(0.13)
Weighted average number of common shares outstanding during the period - basic and diluted	20,150,640	20,123,042	20,143,783	19,995,689

See accompanying notes to unaudited interim condensed consolidated financial statements.

uSell.com, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,519,778)	$(2,534,732)
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,082,093	1,504,049
Stock based compensation expense	374,335	363,604
Amortization of debt issue costs into interest expense	1,063,545	348,393
Loss on disposal of property and equipment	—	112,284
Change in fair value of placement rights derivative liability	—	370,000
Recovery of bad debt expense	—	(1,876)
Changes in operating assets and liabilities:		
Accounts receivable	33,985	237,545
Inventory	1,216,046	2,003,507
Prepaid and other current assets	35,307	142,396
Other assets	12,608	11,912
Accounts payable	(120,222)	257,615
Accrued expenses	449,655	(54,647)
Due to related party	48,991	—
Lease termination payable	—	(5,000)
Deferred revenues	(144,946)	(524,324)
Net Cash and Cash Equivalents Provided by Operating Activities	1,531,619	2,230,726
CASH FLOWS FROM INVESTING ACTIVITIES:		
Website development costs	(406,703)	(435,116)
Restricted cash	(2,458,773)	(3,528,073)
Cash paid to purchase property and equipment	(18,770)	(69,019)
Security deposits	—	(8,435)
Net Cash and Cash Equivalents Used in Investing Activities	(2,884,246)	(4,040,643)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	8,572,400	2,000,000
Principal repayments of note payable	(8,080,000)	—
Payment of capital lease obligations	(9,456)	—
Cash paid for debt issue costs	(310,129)	(49,551)
Net Cash and Cash Equivalents Provided by Financing Activities	172,815	1,950,449

Net (Decrease) Increase in Cash and Cash Equivalents	**(1,179,812)**	**140,532**
Cash and Cash Equivalents - Beginning of Period	1,657,422	1,047,786
Cash and Cash Equivalents - End of Period	$477,610	$1,188,318
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Interest	$806,059	$744,931
Taxes	$18,193	$—
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Adjustment to goodwill for inventory valuation	$—	$42,198
Common stock issued in connection with note payable	$—	$402,500
Purchases of property and equipment through capital leases	$14,686	$55,129
Elimination of Placement Rights Derivative Liability	$—	$1,500,000

See accompanying notes to unaudited interim condensed consolidated financial statements.

uSell.com, Inc and Subsidiaries
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2017
(Unaudited)

Note 1 - Organization and Business

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

Note 2 - Significant Accounting Policies

Basis of Presentation

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

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the SEC, which contains the audited financial statements and notes thereto, together with Management's Discussion and Analysis, for the years ended December 31, 2016 and 2015. The financial information as of December 31, 2016 is derived from the audited financial statements presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The interim results for the nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017 or for any future interim periods.

Principles of Consolidation

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

Segment Information

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

Use of Estimates

The preparation of unaudited interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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

uSell.com, Inc and Subsidiaries
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2017
(Unaudited)

Accounts Receivable

Accounts receivable represent obligations from the Company’s customers and are recorded net of allowances for cash discounts, doubtful accounts, and sales returns. The Company’s policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was $1,600 at September 30, 2017 and December 31, 2016.

Inventory, net

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

Allowances for slow-moving or obsolete inventory are provided based on historical experience of a variety of factors, including sales volume, product life and levels of inventory at the end of the period. The provision for slow-moving for inventory amounted to $0 and $384,000 for the three months ended September 30, 2017 and 2016, respectively, and $0 and $563,000 for the nine months ended September 30, 2017 and 2016, 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 $737,000 and $221,000 at September 30, 2017 and December 31, 2016, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

Revenue Recognition

Revenue is recognized when all of the following conditions exist: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured.

Principal Device Revenue

The Company, through We Sell Cellular, generates revenue from the sales of its cellular telephones and related equipment. The Company recognizes revenue "FOB shipping point" on such sales. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer when the products leave the Company's warehouse. Payment terms generally require payment once an order is placed. The Company allows customers to return product within 30 days of shipment if the product is defective. Allowances for product returns are recorded as a reduction of sales at the time revenue is recognized based on historical data. The estimate of the allowance for product returns amounted to approximately $370,000 and $130,000 at September 30, 2017 and December 31, 2016, respectively, and is recorded in accrued expenses in the accompanying condensed consolidated balance sheets.

Agent Commission Revenue

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

Fulfillment Revenue

The Company offers fulfillment services on behalf of its buyers for the items sold using the Agent Commission Revenue approach outlined above. The Company acts as the agent in these fulfillment services transactions, passing orders booked by its buyers to its third party fulfillment vendor, who then assembles the kits and mails them directly to the sellers. The Company earns a standard fee from its buyers and recognizes revenue upon shipment of the kits to the sellers. The Company evaluated the presentation of revenue on a gross versus net basis and determined that since the Company performs as an agent without assuming the risks and rewards of ownership of the goods, revenue should be reported on a net basis.

uSell.com, Inc and Subsidiaries
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2017
(Unaudited)

Advertising Revenue

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

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

Shipping and Handling Costs

The Company follows the provisions of Accounting Standards Codification ("ASC") Topic 605-45 regarding shipping and handling costs. Shipping and handling costs included in cost of revenue were approximately $146,000 and $108,000 for the three months ended September 30, 2017 and 2016, respectively, and approximately $468,000 and $336,000 for the nine months ended September 30, 2017 and 2016, respectively.

Advertising

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately $7,000 and $11,000 for the three months ended September 30, 2017 and 2016, respectively, and approximately $31,000 and $41,000 for the nine months ended September 30, 2017 and 2016, respectively

Concentration of Credit Risk

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

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. At times, the Company's cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit. At September 30, 2017 and December 31, 2016, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

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

Fair Value of Financial Instruments

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

Net Loss per Share

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

uSell.com, Inc and Subsidiaries
Notes to Interim Condensed Consolidated Financial Statements
September 30, 2017
(Unaudited)

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

	Three and Nine Months Ended September 30,	
	2017	2016
Unvested Restricted Stock	141,666	255,000
Vested and Unvested Restricted Stock Units	743,020	743,020
Stock Options	503,667	468,896
Stock Warrants	797,083	802,520
	2,185,436	2,269,436

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (the “FASB”) issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 provides guidance for revenue recognition and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” and most industry-specific guidance. The core principle of ASU 2014-09 is the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, comp