

PHONEX HOLDINGS, INC.

**150 Executive Drive
Suite Q
Edgewood, NY 11717**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON March 24, 2025**

To the Shareholders of PhoneX Holdings, Inc.:

PhoneX Holdings, Inc., a Delaware corporation (“**PhoneX**” or the “**Company**”), has entered into a Membership Interest Purchase Agreement, dated as of February 12, 2025, by and between PhoneX, and a confidential third-party purchaser (“**Buyer**”) (such agreement, the “**Sale Agreement**”). Pursuant to the Sale Agreement, Buyer has agreed to purchase 79.5% of the membership interests of We Sell Cellular LLC, a Delaware limited liability company and a wholly-owned subsidiary of PhoneX (“**WSC**”) and such transaction, the “**Transaction**”. In connection with the Sale Agreement, the parties also agreed if the Transaction closes to enter into the Fourth Amended and Restated Limited Liability Company Agreement of WSC (the “**LLC Agreement**”) to, among other things, grant certain rights to Buyer in connection with the Transaction. The Sale Agreement and the LLC Agreement and transactions contemplated thereby and in connection therewith, as well as certain other related matters, are described in more detail in the accompanying Proxy Statement.

PhoneX’s Board of Directors (the “**Board**”) has called a special meeting of PhoneX’s shareholders, to be as a virtual-only meeting accessible telephonically at 11:00 a.m. Eastern Time on March 24, 2025 (the “**Special Meeting**”), or any adjournment or postponements thereof, for the purpose of considering and taking appropriate action with respect to the following:

Proposal: To approve the Transaction entailing the sale of 79.5% of the membership interests, and 100% of the membership interests if the Call Option is exercised, of We Sell Cellular LLC (“**WSC**”), the Company’s wholly-owned subsidiary (in its entirety, the “**Transaction**” or the “**Transaction Proposal**”), as described in the Proxy Statement for the Special Meeting.

Only PhoneX shareholders who owned shares of PhoneX’s common stock at the close of business on February 12, 2025 (the “**Record Date**”) can vote at the Special Meeting or any adjournment or postponement that may take place. Each share of PhoneX’s common stock is entitled to one vote on all matters presented at the Special Meeting and any adjournment or postponement thereof.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR”
APPROVAL OF THE PROPOSAL LISTED ABOVE.**

This Notice of the Special Meeting, and the accompanying Proxy Statement and proxy card are being distributed to PhoneX's shareholders on or about February 18, 2025.

You may submit a proxy for your shares electronically via the Internet (www.PhoneX.vote) or by completing, signing, and faxing or emailing a copy of your proxy card, no later than 11:59 p.m. Eastern Time on March 23, 2025 (as directed on the enclosed proxy card).

Shareholders will not be able to attend the Special Meeting in person. If you were a shareholder of record as of the Record Date, you may access the virtual meeting by calling 1-877-407-3088 (Toll Free) and presenting the unique 12-digit control number on the proxy card. Online access to the Special Meeting will open at 10:45 a.m. Eastern Time to allow shareholders to call-in prior to the start of the Special Meeting. You may vote during the Special Meeting by dialing 1-877-407-3088 and following the instructions.

As described in the attached Proxy Statement, under the Transaction Proposal, PhoneX's shareholders are being asked to approve the Transaction in accordance with Section 271 of the Delaware General Corporation Law (the "DGCL") and the Company's Certificate of Incorporation and Bylaws. In addition to the satisfaction of the other conditions to closing set forth in the Sale Agreement, PhoneX will not complete the Transaction unless its shareholders approve the Transaction Proposal, since it has been advised that the Transaction constitutes a sale of substantially all of PhoneX's assets for purposes of Section 271 of the DGCL.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

All of PhoneX's shareholders as of the record date of February 12, 2025 are cordially invited to attend the Special Meeting. Whether or not you plan to attend the Special Meeting, you are requested to complete and return the enclosed proxy card or submit a proxy for your shares via the Internet or otherwise as instructed on the enclosed proxy card. You may revoke your proxy at any time before the voting at the Special Meeting by sending a properly signed written notice of your revocation to PhoneX's Corporate Secretary before the Special Meeting, by submitting another proxy that is properly signed and bearing a later date or by following the specified procedures for submitting a proxy. If you attend the Special Meeting, you may, if you wish, revoke any proxy previously given by voting your shares at the Special Meeting. Attendance at the Special Meeting will not itself revoke an earlier submitted proxy.

PHONEX HOLDINGS, INC.

**150 Executive Drive
Suite Q
Edgewood, NY 11717**

**PROXY STATEMENT
SPECIAL MEETING OF THE SHAREHOLDERS**

This Proxy Statement is being delivered to the holders of shares of the Common Stock of PhoneX Holdings, Inc., a Delaware corporation (“**PhoneX**” or the “**Company**”) in connection with the solicitation of proxies by our Board of Directors (the “**Board**”) for use at the Special Meeting of the Shareholders (the “**Special Meeting**”) to be held on March 24, 2025 at 11:00 a.m., Eastern Time. The Special Meeting will be a virtual meeting to be held as a live audio conference call by calling 1-877-407-3088 (Toll Free). There will not be a physical meeting location. If you encounter any technical difficulties with the virtual meeting platform on the meeting day, please call 1-877-804-2062 (Toll Free) or email proxy@equitystock.com.

At the Special Meeting, the item of business to be voted on is:

Proposal: To approve the Transaction entailing the sale of 79.5% of the membership interests, and 100% of the membership interests if the Call Option is exercised, of We Sell Cellular LLC (“**WSC**”), the Company’s wholly-owned subsidiary (in its entirety, the “**Transaction**” or the “**Transaction Proposal**”), as described in the Proxy Statement for the Special Meeting.

Questions and Answers

Questions Regarding the Transaction Proposal

What is the proposed Transaction?

The proposed Transaction is comprised of the sale of 79.5% of PhoneX’s interests in WSC, its wholly-owned subsidiary, to a confidential third party purchaser (“**Buyer**”) for the purchase price of approximately \$47.7 million to be determined based on certain adjustments based on WSC’s cash and cash equivalents, indebtedness, transaction expenses and working capital as of the closing, all pursuant to a Membership Interest Purchase Agreement executed on February 12, 2025 between the parties (the “**Sale Agreement**”). In addition, PhoneX intends to transfer WSC’s excess cash prior to closing which is estimated to be between \$3 million and \$5 million. Under WSC’s Fourth Amended and Restated Limited Liability Company Agreement (the “**LLC Agreement**”), if approved by the shareholders, PhoneX will also grant Buyer the right to purchase its remaining interests in WSC (currently 20.5%) for a purchase price described in detail later in this Proxy

Statement (the “**Call Option**”). See “Overview of the Transaction” beginning on page 11. We have been advised that the Transaction represents the sale of substantially all the assets of PhoneX so that our shareholders must approve the Transaction.

Who is the Buyer?

The Buyer has asked that its identity remain confidential since the Transaction is an all cash proposal. Our lawyers have advised us that Buyer’s name is not material under applicable laws. However, no officer or director of PhoneX has any connection to or relationship with Buyer.

What are the total proceeds that PhoneX estimates it will receive from the Transaction?

Assuming the closing of the Transaction occurs, PhoneX estimates that it will receive gross cash proceeds from the Sale Agreement of \$47.7 million subject to adjustments based on WSC having at least \$13.5 million of working capital which includes at least \$1.5 million cash. Prior to closing, PhoneX expects to withdraw excess cash estimated to be between \$3 million and \$5 million. This does not include proceeds from Call Option exercise if Buyer elects to exercise such Option before its March 31, 2028 expiration.

PhoneX expects to pay approximately \$9 million in U.S. federal and state income taxes in connection with the Transaction which taxes are expected to be material. See “Certain U.S. Federal Income Tax Consequences” on page 28.

If the Transaction is consummated, how does PhoneX intend or anticipate to use the proceeds from the Transaction?

If the Transaction is approved by the shareholders and closes, the net proceeds therefrom, after deducting transaction expenses, will initially be held as cash on the Company’s balance sheet. PhoneX intends to use a portion of the net proceeds therefrom to fund working capital needs and growth initiatives with respect to its remaining software-as-a-service (“**PhoneX SaaS**”) business. In addition, the Company will continue to operate PhoneX Labs LLC (“**PhoneX Labs**”), which will license its technology to both WSC and prospective external industry participants. These businesses will become the Company’s business focus following the closing of the Transaction.

The Company will also hold its remaining 20.5% of WSC interests which will be governed by the LLC Agreement.

The Company expects to use a substantial portion of the net proceeds to pay a dividend in January 2026 to all its shareholders as of the record date for the dividend. Under the Delaware General Corporation Law (“**DGCL**”), the dividend must be in the future. Therefore, holders of the Record

Date of February 12, 2025 will be entitled to vote at the Special Meeting. However, such shareholders will not be entitled to receive the dividend once it is declared unless they continue to hold their shares of common stock as of the new record date which is expected to be in January 2026. Further there is no guarantee that the Board will declare a dividend at that time.

The Company's officers and directors are also shareholders as of the Record Date for the Special Meeting and expect to retain their shares through any dividend record date. Accordingly, they are motivated to declare a dividend. But they also recognize that they have a duty to act in the best interests of all of the Company's shareholders. They intend to adhere to and fully comply with their fiduciary duty. For information on the beneficial ownership of the members of our Board, see "Principal Shareholders." In addition, two of the Company's executive officers (including our Chief Executive Officer) are entitled to a special bonus under certain bonus agreements which were approved by the Company's shareholders and entered into in 2020, which could entitle them to a special bonus if the dividend meets certain thresholds and parameters set forth therein. See "Executive Bonus Program" on page 31 for more information.

The Company may also use proceeds from the Transaction to fund growth initiatives or strategic transactions, which may potentially include acquisition transactions with businesses complementary to or synergistic with the PhoneX SaaS and/or PhoneX Labs businesses or investment opportunities which the Board identify as presenting the ability to add value for the Company and its shareholders.

Recipients of PhoneX compensation awards will also receive an estimated total amount of approximately \$2.4 million prior to any dividend payments. These holders are key employees of WSC but do not include our executive officers who are also directors.

The foregoing potential uses of the proceeds from the Transaction, including the timing and amount thereof, remain uncertain and subject to change, and some or all of such potential uses may not occur at all. See "Anticipated and Potential Use of Proceeds from the Transaction" beginning on page 29.

What will happen if shareholders do not approve the Transaction?

In addition to the satisfaction of the other conditions to closing set forth in the Sale Agreement, PhoneX cannot complete the Transaction contemplated thereby unless its shareholders approve the Transaction Proposal, because it has been advised by its counsel the Transaction constitutes a sale of substantially all of PhoneX's assets under Delaware law. If the Sale Agreement is terminated for certain enumerated reasons, including in some cases following a failure of PhoneX to obtain shareholder approval of the Transaction, PhoneX will be obligated to pay Buyer a termination fee of \$2,385,000 under the terms of the Sale Agreement. See "The Sale Agreement—

Unsolicited Proposals” beginning on page 18, and “The Sale Agreement—Termination Fee” beginning on page 24.

What if PhoneX receives another offer for WSC or its assets?

Under the Sale Agreement, PhoneX has agreed that, subject to certain exceptions, it will not, and will undertake to cause its subsidiaries and representatives not to engage in or encourage discussions relating to a competing acquisition proposal with respect to PhoneX or WSC. However, a key exception to this is that prior to obtaining shareholder approval for the Transaction Proposal, if PhoneX receives an Inquiry (as defined later) or unsolicited written Acquisition Proposal (as defined later) that has not resulted from a breach of the provisions in the Sale Agreement relating to non-solicitation of other bids, then PhoneX may engage in negotiations or discussions with, or furnish any information and reasonable access to, such third party if the Board determines in good faith, after consultation with its outside advisors, that such communication is, or would reasonably be expected to lead to or result in, a Superior Proposal (as defined later). After compliance with the notice and negotiation and other procedural requirements of the Sale Agreement, the Board may withdraw, modify or qualify its recommendation that the shareholders approve the Transaction Proposal and terminate the Sale Agreement in order to enter into a definitive written agreement with respect to such superior proposal, subject to the payment of a termination fee. See “The Sale Agreement—Unsolicited Proposals” beginning on page 18 and “The Sale Agreement—Termination Fee” beginning on page 24.

Will PhoneX continue operations if the Transaction is completed?

Yes, if the shareholders approve the Transaction and the Transaction closes, PhoneX will continue to operate its PhoneX SaaS business. In addition, the Company will continue to operate PhoneX Labs, which will license its technology to both WSC and prospective external industry participants. PhoneX Labs is in the process of developing its business, which envisions investment in hardware and physical infrastructure to improve the process of testing, grading, and remanufacturing pre-owned mobile devices. In the furtherance of these businesses, PhoneX expects to use a portion of the net proceeds it receives in the Transaction, including for the working capital and growth capital for such businesses. See the Historical Financial Information and Pro Forma Financial Information included as Annexes A and B for more information on the financial condition and operations of the Company prior to and following the Transaction.

In addition, PhoneX will retain a minority stake (20.5%) in the membership interests of WSC, which minority interests will be subject to Buyer’s Call Option to purchase and to the other terms and provisions of the LLC Agreement. The Company will be entitled to certain distributions from earnings before interest and taxes in connection therewith pursuant to the LLC Agreement.

What will happen if the Transaction is not completed?

If the Transaction is not completed, in addition to the potential consequences provided for under the Sale Agreement (including the potential payment by the Company of a termination fee), PhoneX will continue to operate WSC, and may explore other strategic alternatives, including the sale of WSC to other parties. However, any alternative transaction may have terms that are less favorable to PhoneX than the terms of the Transactions, or PhoneX may be unable to reach agreement for an alternative transaction with a third party.

Will I have dissenters' rights or appraisal rights with respect to the Transaction?

No. You are not entitled to dissenters' rights or appraisal rights under Delaware law in connection with the Transaction.

Will I owe any federal income taxes as a result of the Transaction?

The Transaction will not immediately result in any direct U.S. federal income tax consequences to PhoneX's shareholders. However, if a dividend is effected in January 2026 (or any later date) at some point following the Transaction, it would have a tax impact on all shareholders as of the record date for any such dividend. You are urged to consult your tax advisor as to the U.S. federal income tax consequences of the Transaction, as well as the effects of state, local and foreign tax laws, to you upon the closing of the Transaction or any dividend of a portion of the net proceeds thereof to PhoneX shareholders. We cannot predict whether any applicable tax rates or laws will change.

To the extent a dividend occurs, management expects it will occur in 2026 based upon advice of its tax accounting firms that all shareholders will experience more tax friendly dividends based on the current tax law. That law may change since the Trump administration has signaled that tax reform is a key goal.

Questions Regarding the Special Meeting

How do I access the proxy materials over the Internet?

The Notice and Proxy Card or Voting Instruction Card included with the proxy materials will contain instructions on how to view the proxy materials on the Internet. Electronic copies of this Proxy Statement are available at www.equitystock.com. The website address for Internet voting is www.Phonex.vote.

Who may attend the Special Meeting, and how do such persons attend?

Our Board has fixed the close of business on February 12, 2025 as the record date for a determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof (the “**Record Date**”). Each share of common stock represents one vote to be voted on each matter presented at the Special Meeting. Record holders and beneficial owners may attend the Special Meeting (via audio phone call). Set forth below is a summary of the information you need to attend the virtual Special Meeting:

- Access a live audio conference call by calling 1-877-407-3088 (Toll Free).
- Instructions on how to attend and participate in the virtual Special Meeting, including how to demonstrate proof of stock ownership, are also available at www.Phonex.vote.

How do shareholders of record attend the Special Meeting?

- Shareholders of record as of the Record Date can attend the Special Meeting by accessing the live audio conference call at 1-877-407-3088 and presenting the unique 12-digit control number on the proxy card.

How do beneficial owners attend the Special Meeting?

- If you were a beneficial owner of record as of the Record Date (i.e., you held your shares in an account at a brokerage firm, bank or other similar agent), you will need to obtain a legal proxy from your broker, bank or other agent. Once you have received a legal proxy from your broker, bank or other agent, it should be emailed to our transfer agent, Equity Stock Transfer, at proxy@equitystock.com and should be labeled “Legal Proxy” in the subject line. Please include proof from your broker, bank or other agent of your legal proxy (e.g., a forwarded email from your broker, bank or other agent with your legal proxy attached, or an image of your valid proxy attached to your email). Requests for registration must be received by Equity Stock Transfer no later than 5:00 p.m. Eastern Time, on March 20, 2025. You will then receive a confirmation of your registration, with a control number, by email from Equity Stock Transfer. At the time of the meeting, access the live audio conference call at 1-877-407-3088 and present your unique 12-digit control number.
- Shareholders may submit live questions on the conference line while attending the virtual Special Meeting.
- Shareholders submit live questions on the conference line while attending the virtual Special Meeting.

What if I have technical difficulties or trouble accessing the virtual Special Meeting?

We will have technicians ready to assist you with any technical difficulties you may have in accessing the virtual Special Meeting. If you encounter any difficulties, please call: 1-877-804-2062 (Toll Free) or email proxy@equitystock.com.

How do I participate in and vote at the Special Meeting?

See “How do shareholders of record attend the Special Meeting” and “How do beneficial owners attend the Special Meeting?” immediately above.

Even if you plan to attend the Special Meeting, we recommend that you also vote by proxy as described below so that your vote will be counted if you later decide not to participate in the Special Meeting.

How can I vote without participating in the Special Meeting?

Shareholders of record may vote without participating in the Special Meeting by any of the following means:

1. By Internet. The website address for Internet voting is www.Phonex.vote.
2. By Email. Mark, date, sign and email the enclosed Proxy Card to proxy@equitystock.com.
3. By mail. Mark, date, sign and mail promptly the enclosed Proxy Card (a self-addressed envelope is provided for your convenience for mailing in the United States).
4. By Fax. Mark, date, sign and fax the enclosed Proxy Card to 347-584-3644.

If you vote by Internet, fax or email, please **do not** mail your Proxy Card.

Because of possible delays with the mails we recommend you use the Internet, email or fax to vote.

If you are a beneficial owner of shares held in street name, you must email to proxy@equitystock.com a legal proxy from your nominee authorizing you to vote your shares at least two business days prior to the Special Meeting. Once submitted, you will receive a control number enabling you to vote your shares by any of the means set forth above.

What are the quorum requirements for the Special Meeting?

To carry on the business of the Special Meeting, we must have a quorum. A quorum is present

when a majority of the outstanding shares of stock entitled to vote as of the Record Date are represented in person or by proxy. Shares owned by affiliated shareholders are considered present for the purpose of a quorum. As of the Record Date, 35,756,453 shares of common stock were outstanding.

Approval of the Transaction Proposal requires a majority of the outstanding shares of common stock entitled to vote on the matter under Section 271 of the DGCL. Accordingly, 17,878,227 shares are required to vote in favor of the Proposal in order for it to pass.

Because our Board members beneficially owned more than 50% of our outstanding common stock as of the Record Date and have entered into voting agreements, we expect we will have a quorum. See “Principal Shareholders.”

How will affiliated shareholders vote on the Transaction Proposal?

Because our executive officers and directors are deemed to be affiliated shareholders of the Company, each of these individuals has agreed to vote with the majority of the non-affiliated shareholders of the Company on the Transaction Proposal. This means that the shares held by these affiliated shareholders will be voted in the same way (For or Against, as applicable), as a majority of shares present and entitled to vote on the Transaction Proposal that are held by the non-affiliated shareholders actually vote. Broker non-votes of beneficial owners who do not provide a proxy to their broker or custodian of their shares (as described below under “Beneficial Owners and Broker Non-votes”) will be votes Against, as will be Abstentions on the Proposal.

Of the 35,757,453 shares of common stock outstanding as of the Record Date, these affiliated shareholders beneficially owned a total of 22,735,884 shares of common stock (excluding 35,000 stock options which cannot vote), while non-affiliated shareholders hold the remaining shares of common stock (the “**Minority Votes**”) as of the Record Date. As a demonstration of their good faith, these affiliated shareholders have entered into Voting Agreements and agreed to vote their shares with a majority of the Minority Votes. Abstentions and broker non-votes will be treated as votes Against.

How many votes are needed for the Proposal to pass?

Set forth below are the voting standards for the Proposal:

| Proposal | Vote Required⁽¹⁾ |
|-------------------------|---|
| 1. Transaction Proposal | Majority of shares outstanding and entitled to vote |

-
- (1) As described above under “How will affiliated shareholders vote on the Transaction Proposal?”, affiliated shareholders will vote with a majority of the non-affiliated shareholders present and entitled to vote For or Against the Proposal.

How are beneficial owners and broker non-votes treated?

If your shares are held in “street name” by your broker or by another nominee, you must instruct the organization that holds your shares how to vote your shares. Brokers are bound by the rules of the New York Stock Exchange regarding whether or not they can exercise discretionary voting power for any particular proposal in the absence of voting instructions from you. Brokers have the authority to vote shares for which their customers do not provide voting instructions on certain “routine” matters. A broker non-vote occurs when a nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares. Broker non-votes are included in the calculation of the number of votes considered to be present at the meeting for purposes of determining the presence of a quorum. Because the Proposal is not discretionary, your broker or other custodian will not vote your shares unless you give them specific instructions.

The table below sets forth, for the Proposal on the ballot, whether a nominee organization can exercise discretion and vote your shares absent your instructions and if not, the impact of such broker non-vote on the approval of the proposal.

| Proposal | Broker Discretionary Vote Allowed | Impact of Broker Non- Votes |
|-------------------------|--|--|
| 1. Transaction Proposal | No | Against |

As a result, if you do not provide voting instructions to your broker or other nominee, it will have the same result as a vote “Against” the Proposal.

How are abstentions treated?

Set forth below is an overview of how abstentions (or declining to vote on a matter) will affect the Proposal:

| Proposal | Effect of Abstentions on the Proposal |
|-----------------|--|
|-----------------|--|

Who is soliciting my proxy?

Messrs. Nikhil Raman and Robert Averick, or either of them, two of our directors and principal shareholders, are soliciting proxies in favor of the Proposal on behalf of PhoneX. They have agreed to vote all shares submitted by holders of the Minority votes in accordance with the instructions they receive.

Can I revoke my proxy?

You may revoke your proxy and reclaim your right to vote up to and including the day of the Special Meeting by giving written notice by email to the Company at proxy@equitystock.com, by delivering a Proxy Card dated after the date of the Proxy or by voting in person at the Special Meeting. All written notices of revocation and other communications with respect to revocations of Proxies should be sent via email to proxy@equitystock.com.

The Board Recommends that Shareholders Vote “For” the Proposal.**Cautionary Note Regarding Forward-Looking Statements**

This Proxy Statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the proposed Transaction involving the sale of WSC, the anticipated and potential use of the proceeds therefrom and other anticipated events, results and consequences thereof, including the potential payment of a dividend to the Company’s shareholders and the outlook for the Company’s financial condition and operations, strategic initiatives and business focus following the Transaction. All statements other than statements of historical facts contained in this report, including statements regarding potential or future events, financial position, business strategy and plans and objectives of management for future operations and transactions, are forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions are intended to identify forward-looking statements.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks may cause actual results to differ materially from these

forward-looking statements, including Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include contractual issues which may arise and events that may occur following the Transaction, the impact from any major war including expansion of the war in Israel and the war in Ukraine, political matters in the United States and their effect on the economy, any downturn in the United States and global economies and any failure to reduce interest rates to avoid a recession or other adverse consequences, and the continued demand for WSC's products and our PhoneX SaaS and PhoneX Labs businesses. You should not place undue reliance on forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Proxy Statement.

THE PROPOSAL—APPROVE THE TRANSACTION

At the Special Meeting, shareholders as of the Record Date will be asked to approve the Transaction Proposal which provides for the approval of the Transaction contemplated by the sale by the Company of WSC in accordance with the terms of the Sale Agreement and the rights of the respective parties pursuant to the LLC Agreement. This approval is required by Section 271 of the DGCL. However, other than the potential sale of the Minority Interests pursuant to the Call Option, you are not approving the LLC Agreement.

The following discussion contains important information relating to the Transaction, the Sale Agreement, the LLC Agreement, and related matters.

Overview of the Transaction

On February 12, 2025, PhoneX and Buyer entered into the Sale Agreement. Under the Sale Agreement, Buyer has agreed to purchase 79.5% of the membership interests (referred to herein as the “**Majority Interests**”) of WSC from PhoneX for a purchase price of approximately \$47.7 million, with the actual purchase price (which may be lower) to be determined based on WSC's cash and cash equivalents, indebtedness, if any, transaction expenses and working capital as of the closing. In addition, under the LLC Agreement, Buyer will also receive a Call Option to purchase PhoneX's remaining membership interests (currently 20.5%) of WSC (referred to herein as the “**Minority Interests**”). The exercise price will be based on the percentage interest held by PhoneX in WSC on the date of Buyer's exercise of the Call Option multiplied by the sum of (i) \$60 million, (ii) cash minus indebtedness (excluding indebtedness related to any business combination or significant capital expenditure), and (iii) the difference between the working capital of WSC and \$13.5 million (after deducting any working capital related to the exclusions referenced above in clause (ii)). The Call Option expires March 31, 2028.

PhoneX presently owns 100% of the WSC membership interests, and if the closing under the Sale

Agreement is approved by the shareholders and is completed will continue to hold the Minority Interests thereafter, with Buyer then holding the Majority Interests. If the Call Option is exercised by Buyer, Buyer will then own 100% of the membership interests of WSC and PhoneX will have no further interest in WSC.

A portion of the proceeds to PhoneX from the Transaction will be used to pay PhoneX's transaction costs. These economic terms described above were determined by the parties based on a total enterprise value of \$60 million for WSC.

The Transaction, which is subject to approval by the shareholders of PhoneX and a number of customary closing conditions, is expected to be consummated by April 1, 2025. PhoneX expects to pay a material amount of U.S. federal and state income taxes in connection with the Transaction. See "Certain U.S. Federal Income Tax Consequences" on page 28.

Recommendation of the Board

The Board on February 10, 2025 after extensive involvement in the negotiations unanimously (i) determined that the Transaction on the terms and conditions of the Sale Agreement entered into in connection therewith is advisable and in the best interests of PhoneX and its shareholders, (ii) approved the Transaction on the terms and conditions of the Sale Agreement and (iii) submitted the consummation of the Transaction to PhoneX's shareholders at this Special Meeting and recommended that the shareholders approve the consummation of the Transaction. **The Board has unanimously approved the Transaction on the terms and conditions of the Sale Agreement and unanimously recommends that PhoneX's shareholders vote "FOR" the Transaction Proposal.** The Board has unanimously approved the amendment to the LLC Agreement which will provide Buyer with the Call Option. The LLC Agreement may not be amended without PhoneX's consent. Although shareholders will not vote on the LLC Agreement, if the sale of 79.5% of WSC is approved, shareholders in the future may receive benefits from our ownership of the Minority Interests including the possible exercise of the Call Option.

Reasons for the Transaction

With the growing adoption of PhoneX's SaaS platform across the industry, PhoneX now licenses its technology to both WSC's competitors and suppliers. Management's goal is to sustain this momentum moving forward. Accordingly, the Board believes that there is a strategic rationale for PhoneX and WSC to be unaffiliated. Further, our Board believes that the Transaction is in the best interest of PhoneX's shareholders including the minority unaffiliated shareholders and the price is fair to PhoneX from a financial point of view.

Background of the Transaction

For approximately a decade, WSC has had a business relationship with Buyer. Initial discussions commenced in June 2024. As the discussions between PhoneX and Buyer intensified, a term sheet was ultimately drafted and entered into between PhoneX and Buyer on October 31, 2024. The business terms were non-binding, except for exclusivity rights provided to Buyer. Following execution of the Term Sheet, the parties together with respective counsel negotiated the Sale Agreement and related ancillary documents. Ultimately by February 12, 2025, Buyer and PhoneX had reached a full agreement and each party executed the Sale Agreement.

The Agreements

Explanatory Note Regarding the Agreements

The following is a summary of the material provisions of the Sale Agreement and, to the extent material, the LLC Agreement. This summary does not purport to be complete and may not contain all of the information about the Sale Agreement and the LLC Agreement that may be important to you and your decision on how to vote on this Proposal.

The rights and obligations of the parties to the Sale Agreement are governed by the express terms and conditions of the Sale Agreement and not by this summary or any other information contained in this Proxy Statement. For example, because the descriptions herein are summary overviews of the terms and provisions of the Sale Agreement, many such terms and conditions are qualified by various conditions and limitations which are not described in detail in the descriptions herein. Similarly, the Sale Agreement and the LLC Agreements contain certain specified definitions of terms and phrases used therein, such that those terms and phrases have a special meaning in the context of these agreements and Transaction which may differ or be more expansive than the generally understood meanings and uses of such terms or phrases, and for simplicity this Proxy Statement does not include the capitalized and defined versions of these terms and phrases in certain contexts in the disclosure.

This summary and the disclosure throughout this Proxy Statement concerning the Sale Agreement, the LLC Agreement and the Transaction are qualified by reference to the historical financial statements and pro forma financial information annexed respectively as Annexes A and B, and each Annex hereto is incorporated herein by reference.

In reviewing this summary, please remember that these materials are included to provide you with information regarding the terms of the Transaction and are not intended to provide any other factual information about PhoneX, WSC or Buyer. The Sale Agreement contains certain representations and warranties and covenants by each of the parties thereto, which are summarized below to the extent deemed by the Company to be material. With respect to the representations

and warranties, these provisions have been made solely for the benefit of the applicable other party to the Sale Agreement and:

- were negotiated with the principal purpose of allocating risk between the parties if those statements prove to be inaccurate, rather than establishing matters of fact;
- may have been qualified by certain confidential Disclosures Schedules that are part of the Sale Agreement; and
- may apply standards of materiality in a way that is different from what may be viewed as material by you or other shareholders.

Some of the information in the Disclosure Schedules lists information about WSC; other information in the Disclosure Schedules represents exceptions to representations in the Sale Agreement.

Moreover, the representations, warranties and covenants made in the Sale Agreement were made only as of specified dates. Information concerning the subject matter of the representations and warranties in the Sale Agreement and described below may have changed since the Sale Agreement was executed on February 12, 2025 and subsequent developments or new information qualifying a representation or warranty may not have been included in this Proxy Statement if we deem it not to be material.

The Membership Interest Purchase Agreement

The following is an overview summary of certain material terms of the Sale Agreement (the Membership Interest Purchase Agreement by and between PhoneX and Buyer).

Effects of the Transaction under the Sale Agreement

Pursuant to the Sale Agreement, PhoneX has agreed to sell the Majority Interests (79.5%) of WSC. Upon the closing of such sale, WSC will become a majority-owned subsidiary of Buyer and PhoneX will become a holder of the Minority Interests (20.5%). Such parties, as holders of WSC membership interests, will be entitled to certain rights and subject to certain obligations and other provisions pursuant to the LLC Agreement, which is discussed below under “The Fourth Amended and Restated Limited Liability Company Agreement.”

Closing

The closing will take place no later than five business days following the day on which the last of the conditions to closing in the Sale Agreement are satisfied or waived (where waiver is permitted), unless the Sale Agreement has been terminated pursuant to its terms or unless another time and/or

date is agreed to in writing by the parties to the Sale Agreement.

Consideration/Purchase Price

The purchase price to be paid by or on behalf of Buyer at closing pursuant to the Sale Agreement will be \$47.7 million, subject to adjustments. The aggregate purchase price will be determined based on the following formula, which gives effect to certain adjustments provided for in the Sale Agreement:

- (i) \$47.7 million; plus
- (ii) 79.5% of WSC's cash and cash equivalents at closing in excess of \$1.5 million, if any; minus
- (iii) 79.5% of indebtedness of WSC at closing; minus
- (iv) 79.5% of WSC's transaction expenses; and
- (v) plus (x) 79.5% of the amount, if any, by which WSC's working capital at closing exceeds the target working capital amount of \$13.5 million, or minus (y) 79.5% of the amount, if any, by which WSC's working capital at closing is less than the target working capital amount of \$13.5 million (as applicable).

PhoneX does not anticipate that WSC will have any indebtedness or cash over the \$1.5 million requirement. Instead prior to closing, WSC will transfer over the excess cash to PhoneX and attempt to reduce its working capital to \$13.5 million. Any post-closing adjustments are not expected to be material.

To give effect to the above formula, under the Sale Agreement, an estimated purchase price calculation will be prepared by the Company and delivered to Buyer shortly before the closing, and such estimated purchase price amount will be paid to the Company at closing. Within 60 days after the closing Buyer will prepare and deliver to the Company a closing statement calculating the actual purchase price based on the above formula as it relates to WSC and the metrics in the formula set forth above, after which the Company will have 30 days to review and respond. If there is a dispute of the actual purchase price, the parties will mutually select an independent certified public accountant to determine the actual purchase price. Following these above procedures, as applicable, if the estimated purchase price was less than the actual purchase price, Buyer will pay the Company the difference, and if the estimated purchase price is greater than the actual purchase price, the Company will pay Buyer the difference.

Representations and Warranties

The Sale Agreement contains representations and warranties made by PhoneX to Buyer, and to a more limited extent by Buyer to PhoneX. Certain of the representations and warranties in the Sale

Agreement made by PhoneX are subject to materiality or Material Adverse Effect (as defined below) qualifications (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct is material or would reasonably be expected to have a material adverse effect). In addition, certain of the representations and warranties made by PhoneX in the Sale Agreement are subject to knowledge qualifications, which as to PhoneX means that those representations and warranties would not be deemed untrue or incorrect as a result of matters of which certain officers of PhoneX did not have actual or constructive knowledge after due inquiry.

The Sale Agreement provides that, with respect to WSC, “**Material Adverse Effect**” means any event, occurrence, fact, condition or change (as applicable, an “**Event**”) that is, individually or in the aggregate, materially adverse to (a) the business, results of operations, financial condition or assets of WSC, or (b) the ability of PhoneX to consummate the Transaction or the other transactions contemplated by the Sale Agreement on a timely basis. However, an Event will not constitute a Material Adverse Effect if it arises out of or is attributable to:

- (i) general economic or political conditions;
- (ii) conditions generally affecting the industries in which WSC operates;
- (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates;
- (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof;
- (v) any action required by the Sale Agreement;
- (vi) any changes in applicable laws or accounting rules (including generally accepted accounting principles in the U.S. ;
- (vii) the announcement, pendency or completion of the transactions contemplated by the Sale Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with WSC;
- (viii) any natural or man-made disaster or acts of God;
- (ix) any epidemics, pandemics, disease outbreaks, or other public health emergencies (including COVID-19) and any political or social conditions, including civil unrest, protests and public demonstrations or any other laws, directive, pronouncement or guideline issued by a governmental authority, the Centers for Disease Control and Prevention or the World Health Organization, “sheltering in place,” curfews or other restrictions that relate to, or arise out of, an epidemic, pandemic or disease outbreak (including COVID-19) or any change in such laws, directive, pronouncement or guideline or interpretation thereof or any material worsening of such conditions threatened or existing; or

- (x) any failure by WSC to meet any internal or published projections, forecasts or revenue or earnings predictions.

Note, however, that in the case of clauses (i) through (x) in the above list, any Event may be taken into account in determining whether a Material Adverse Effect has occurred or is continuing or would reasonably be expected to occur to the extent such Effect has had or could reasonably be expected to have a disproportionate effect on WSC as compared to other participants in the industries in which WSC operates.

The representations and warranties made by PhoneX to Buyer relate to a variety including matters concerning WSC's business, operations, assets, intellectual property rights, financial condition, legal proceedings and compliance matters, as well as PhoneX and WSC's ability and authority with respect to the Sale Agreement and the Transaction, among certain other matters.

Because the Buyer is paying cash, the representations and warranties made by Buyer to PhoneX are more limited than those made by PhoneX, including matters related to Buyer's ability and authority with respect to the Sale Agreement and Transaction, among certain other matters.

Conduct of the Business

PhoneX has agreed to certain covenants in the Sale Agreement restricting the conduct of its and WSC's business until the closing of Transaction. In general, PhoneX has agreed to, and has agreed to cause WSC to, conduct the business of WSC in the ordinary course of business consistent with the past practices, and use reasonable best efforts to maintain and preserve intact the current organization, business and franchise of WSC and to preserve the rights, franchises, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having business relationships with WSC.

In addition to these general covenants regarding conduct of business, PhoneX has to cause WSC to do the following:

- (a) preserve and maintain all of its permits;
- (b) pay its debts, taxes and other obligations when due;
- (c) maintain the properties and assets owned, operated or used by WSC in the same condition as they were on the date of the Sale Agreement, subject to reasonable wear and tear;
- (d) continue in full force and effect without modification all insurance policies, except as required by applicable law;
- (e) defend and protect its properties and assets from infringement or usurpation;
- (f) perform all of its obligations under all contracts relating to or affecting its

- properties, assets or business;
- (g) maintain its books and records in accordance with past practice;
- (h) comply in all material respects with all applicable laws; and
- (i) not take or permit any action that would cause any of the changes, events, or conditions in the Sale Agreement to occur.

Unsolicited Proposals

Under the Sale Agreement, PhoneX has agreed that, subject to certain exceptions described below, it will not, and will cause its affiliates and their representatives not to:

(A) solicit, initiate, propose or induce the making, submission or announcement of, or knowingly encourage, facilitate or assist, any Inquiry or offer or proposal that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

(B) furnish to any third party any non-public or confidential information relating to or access to the business, properties, assets, books and records or personnel of the Company or WSC with the intent to induce, or that would result in, the making, submission or announcement of, or to knowingly encourage, facilitate or assist any Inquiry or offer or proposal that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

(C) enter into, engage in, knowingly encourage, continue or otherwise participate in any discussions, communications or negotiations with any third party with respect to any Inquiry or offer or proposal that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

(D) approve, endorse or recommend any offer or proposal that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal; or

(E) enter into any letter of intent, agreement in principle, memorandum of understanding, merger agreement, acquisition agreement or other contract relating to an Acquisition Transaction (an “**Alternative Acquisition Agreement**”)

An “**Acquisition Proposal**” is any offer or proposal (other than an offer or proposal made or

submitted by or on behalf of Buyer) related to any Acquisition Transaction.

An “**Acquisition Transaction**” is any transaction or series of related transactions involving the acquisition of at least 15% of the assets, voting power, revenue or net income of PhoneX or the Company by a third party or group of third parties, or any joint venture, partnership, merger, consolidation, business combination, tender offer, exchange offer, recapitalization, reorganization, liquidation, dissolution or other transaction involving PhoneX pursuant to which shareholders of PhoneX immediately preceding such transaction hold less than 85% of the equity interests of the surviving or resulting entity of such transaction.

“**Inquiry**” means a written inquiry, written request for discussions or negotiations or written request to review non-public information from a person that may reasonably lead to such person or an affiliate thereof making or effecting an Acquisition Proposal or an Acquisition Transaction.

Notwithstanding the provisions in the Sale Agreement relating to non-solicitation of other bids described above, prior to obtaining shareholder approval of the Transaction Proposal at the Special Meeting, if PhoneX receives an Inquiry or (ii) a bona fide Acquisition Proposal that did not directly or indirectly result from a breach of its obligations as described above, and the PhoneX Board has determined in good faith, (after consultation with its advisors), that such Acquisition Proposal either constitutes a Superior Proposal or would be reasonably likely to lead to a Superior Proposal, and the Board has determined in good faith (after consultation with its advisors) that the failure to pursue or accept the Superior Proposal would or would reasonably be expected to be inconsistent with its fiduciary duties pursuant to the DGCL, PhoneX may pursue any possible Superior Proposal as described in the next paragraph.

If following the events described in the preceding paragraph the Board determines that a resulting Acquisition Proposal constitutes a Superior Proposal and that failure to approve or recommend such Superior Proposal to PhoneX’s shareholders would reasonably be expected to be inconsistent with the Board’s fiduciary duties, PhoneX may terminate the Sale Agreement and enter into an Alternative Acquisition Agreement which contains a Superior Proposal, provided that PhoneX must first notify Buyer of its intent to so terminate the Sale Agreement and, if requested by Buyer, PhoneX must engage in good faith negotiations with Buyer regarding changes to the terms of the Sale Agreement that would render the Acquisition Proposal no longer a Superior Proposal.

A “**Superior Proposal**” is a bona fide written Acquisition Proposal (but replacing “15%” and “85%” with “50%” in the definition thereof, that (a) was not the result or effect of a violation of the provisions described above and (b) is on terms that the Board has determined in good faith (after consultation with its advisors) is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financing aspects of the proposal (including certainty of closing), the identity of the person making the proposal and other aspects of the

Acquisition Proposal that the Board (deems relevant, and, if consummated, would be more favorable from a financial point of view to the shareholders of PhoneX than the Transaction.

In the event that PhoneX terminates the Sale Agreement to enter into a definitive written agreement in respect of a Superior Proposal, PhoneX must pay the termination fee required to be paid pursuant to the terms of the Sale Agreement substantially concurrently with the termination. See “The Sale Agreement—Termination Fee” beginning on page 24.

Change in Board Recommendation

If there is any development, event, fact, occurrence or change of circumstances (other than an Acquisition Proposal) that occurs or arises prior to shareholder approval of the Transaction Proposal and was not known (or if known, the consequences of which were not known or reasonably foreseeable to the Board at the time the Sale Agreement was executed), the Board may change its recommendation that the shareholders approve the Transaction Proposal if the Board determines, after consultation with its outside lawyers, that the failure to take such action would reasonably be expected to be inconsistent with the Board’s fiduciary duties, provided that prior notice is provided to Buyer advising Buyer that PhoneX intends to take such action and specifying, in reasonable detail, the reasons for such action and, if requested by Buyer, PhoneX must engage in good faith negotiations with Buyer regarding changes to the terms of the Sale Agreement that would eliminate the need for such change in recommendation. If there is any material modifications to the intervening event, PhoneX must provide notice to Buyer and provide Buyer with notice prior to such change in recommendation.

Certain Negative Covenants

Under the Sale Agreement, PhoneX agreed not to, and to not permit any of its affiliates to, engage in activities competitive with the business of WSC, or to solicit or attempt to solicit any employee, client or customers of WSC, for a period of three years from the closing date.

Shareholders Meeting

PhoneX has agreed to take, in accordance with the DGCL and its Certificate of Incorporation and Bylaws, all action necessary to convene and hold the Special Meeting as promptly as reasonably practicable for the purpose of obtaining shareholder approval of the Transaction Proposal. PhoneX also agreed to include the Board’s recommendation in favor of the Transaction in this Proxy Statement.

PhoneX also agreed to use reasonable best efforts to take all actions necessary or advisable to secure the vote or consent of its shareholders required by the DGCL to obtain approval of the

Transaction, and to not submit any other proposal for approval at the meeting without the prior written consent of Buyer.

Conditions to Closing the Transaction

The obligation of each of PhoneX and Buyer to effect the transactions contemplated by the Sale Agreement is subject to the satisfaction or waiver (to the extent permitted by applicable law) of each of the following conditions:

- (a) PhoneX shall have received the required shareholder approval.
- (b) No governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated by the Sale Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.
- (c) PhoneX and WSC shall have received all consents, authorizations, orders and approvals from the governmental authorities, in form and substance reasonably satisfactory to Buyer and PhoneX, and no such consent, authorization, order and approval shall have been revoked.

The obligation of Buyer to effect the transactions contemplated by the Sale Agreement is subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- (a) PhoneX's representations and warranties shall be true and correct, subject to certain qualifications and limitations.
- (b) PhoneX shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Sale Agreement and each of the ancillary documents to be performed or complied with by it prior to or on the closing date.
- (c) No injunction or restraining order shall have been issued by any court or governmental authority which restrains or prohibits the closing.
- (d) All enumerated approvals, consents and waivers shall have been received, and executed counterparts thereof shall have been delivered to Buyer at or prior to the closing.
- (e) there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, would result in a Material Adverse Effect.
- (f) PhoneX shall have duly executed and delivered the assignment of the Majority Interests to Buyer.
- (g) PhoneX and WSC shall have duly executed the LLC Agreement.

(h) The other ancillary documents shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to Buyer.

(i) PhoneX shall have delivered to Buyer the invoices from third-party payees for closing transaction expenses.

(j) PhoneX shall have delivered to Buyer the estimated closing statement with calculations and information relating to the estimated purchase price.

(k) Buyer shall have received a certificate, dated the closing date and signed by a duly authorized officer of PhoneX, that each of the closing conditions applicable to Buyer's obligations have been satisfied.

(l) Buyer shall have received a certificate of the Secretary of PhoneX certifying true and complete copies of all resolutions adopted by the Board authorizing the execution, delivery and performance of the Sale Agreement and the ancillary agreements and certain related matters.

(m) PhoneX shall have delivered to Buyer a good standing certificate (or its equivalent) for WSC.

(n) Scott Tepfer, who is also a director of the Company, shall have accepted an offer letter from Buyer for his employment at WSC effective upon the closing and has not withdrawn such acceptance.

(o) PhoneX shall have delivered to Buyer such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

The obligation of PhoneX to effect the transactions contemplated by the Sale Agreement is subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

(a) Buyer's representations and warranties shall be true and correct, subject to certain qualifications and limitations.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Sale Agreement and each of the ancillary documents to be performed or complied with by it prior to or on the closing date.

(c) No injunction or restraining order shall have been issued by any governmental authority, and be in effect, which restrains or prohibits any material transaction contemplated by the Sale Agreement.

(d) Buyer shall have duly executed and delivered the LLC Agreement.

(e) The other ancillary documents shall have been executed and delivered by the parties thereto.

(f) PhoneX shall have received a certificate, dated the closing date and signed by a duly authorized officer of Buyer, that each of the closing conditions applicable to PhoneX's obligations have been satisfied.

(g) PhoneX shall have received a certificate of the Secretary of Buyer certifying

true and complete copies of all resolutions adopted by Buyer's board of directors authorizing the execution, delivery and performance of the Sale Agreement and the ancillary agreements and certain related matters.

(h) Buyer shall have delivered to third parties by wire transfer of immediately available funds that amount of money due and owing from WSC or PhoneX to such third parties as transaction expenses as set forth in the closing transaction expenses invoices.

(i) Buyer shall have delivered to PhoneX such other documents or instruments as PhoneX reasonably requests and are reasonably necessary to consummate the transactions contemplated by the Sale Agreement.

Termination of the Sale Agreement

The Sale Agreement may be terminated and the transactions contemplated thereby may be abandoned at any time prior to the closing, whether before or after receipt of the approval of the shareholders, under the following circumstances:

- (i) by the mutual written consent of PhoneX and Buyer;
- (ii) by Buyer if:

(A) Buyer is not then in material breach of the Sale Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by PhoneX that would give rise to the failure of any of the closing conditions and such breach, inaccuracy or failure has not been cured by PhoneX within 10 days of PhoneX's receipt of written notice of such breach from Buyer; or

(B) any of the closing conditions applicable to Buyer's obligations shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by February 12, 2026, unless such failure is due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions to be performed or complied with by Buyer prior to the closing;

- (iii) by PhoneX if:

(A) PhoneX is not then in material breach of any provision of the Sale Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to the Sale Agreement that would give rise to the failure of any of the closing conditions and such breach, inaccuracy or failure has not been cured by Buyer within 10 days of Buyer's receipt of written notice of such breach from PhoneX; or

(B) any of the closing conditions applicable to PhoneX's

obligations shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by February 12, 2026, unless such failure shall be due to the failure of PhoneX to perform or comply with any of the covenants, agreements or conditions to be performed or complied with by it prior to the closing;

(iv) by Buyer or PhoneX in the event that (A) any law is enacted that makes consummation of the transactions contemplated by the Sale Agreement illegal or otherwise prohibited or (B) any governmental authority shall have issued a governmental order restraining or enjoining the transactions contemplated by the Sale Agreement, and such governmental order shall have become final and non-appealable;

(v) by PhoneX or Buyer if the required shareholder approval is not obtained;

(vi) by Buyer, if at any time (A) the Board has effected a Board recommendation change or (B) PhoneX or any affiliate or representative breaches the provisions in the Sale Agreement relating to non-solicitation of other bids; or

(vii) by PhoneX, at any time prior to receiving the required shareholder approval, if (A) PhoneX has received a Superior Proposal; (B) the Board has authorized PhoneX to enter into an Alternative Acquisition Agreement with respect to the Acquisition Transaction contemplated by that Superior Proposal in accordance with the Sale Agreement; (C) PhoneX has complied with its obligations under the Sale Agreement with respect thereto; and (D) concurrently with such termination PhoneX pays the termination fee due to Buyer in accordance with the Sale Agreement.

See “The Sale Agreement—Termination Fee” for certain consequences of terminating the Sale Agreement.

Termination Fee

PhoneX must pay Buyer a termination fee equal to \$2,385,000 if the Sale Agreement is terminated under the following circumstances:

(i) at or prior to the time of the shareholder meeting an Acquisition Proposal is announced (replacing “15%” and “85%” with “50%” in the definition of Acquisition Transaction for purposes hereof), a termination occurs based on a failure to close the Transaction by February 12, 2026, and within one year of such termination such Acquisition Transaction is consummated or a definitive written agreement is entered into in connection therewith.

(ii) either party terminates the Sale Agreement based on the required

shareholder approval having not been obtained at the Special Meeting or any adjournment or postponement thereof.

(iii) Buyer terminates the Sale Agreement due to (A) a Board recommendation change or (B) PhoneX's or any affiliate's or representative's breach of the provisions in the Sale Agreement relating to non-solicitation of other bids; or

(iv) PhoneX terminates the Sale Agreement prior to receiving shareholder approval based on (A) PhoneX having received a Superior Proposal; and (B) the Board having authorized PhoneX to enter into an Alternative Acquisition Agreement with respect to the Acquisition Transaction contemplated by that Superior Proposal in accordance with the Sale Agreement.

Indemnification

The Sale Agreement requires PhoneX to indemnify, defend and hold harmless Buyer, its affiliates (including WSC), and their respective representatives from and against any and all claims, losses, liabilities, damages and expenses incurred by any of them arising out of, in connection with or relating to the following matters:

- (a) any inaccuracy in or breach of any of the representations or warranties of PhoneX contained in the Sale Agreement, subject to certain qualifications and limitations;
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by PhoneX pursuant to the Sale Agreement, subject to certain qualifications and limitations;
- (c) any transaction expenses or indebtedness of WSC outstanding as of the closing to the extent not included in the calculation of the purchase price as finally determined pursuant to the Sale Agreement;
- (d) a pending lawsuit against WSC;
- (e) a claim against We Sell filed with the Division of Human Rights of the State of New York;
- (f) any misclassification of employees including any failure to comply with the Fair Labor Standards Act, or any state or local law that establishes minimum wage, overtime pay or recordkeeping requirements, during any time prior to the closing; or
- (g) any violation by WSC of all applicable immigration laws, including Form I-9 requirements.

PhoneX also agreed to indemnify, defend and hold harmless Buyer and its affiliates (including WSC) from and against any losses arising from or relating to certain tax matters in connection with the Transaction.

Buyer agreed to indemnify, defend and hold harmless PhoneX and its affiliates and representatives from and against all claims, losses, liabilities, damages and expenses incurred by any of them arising out of, in connection with or relating to the following matters:

- (a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in the Sale Agreement, subject to certain qualifications and limitations;
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to the Sale Agreement, subject to certain qualifications and limitations;

The indemnification obligations of a party are subject to the following additional provisions, which provisions are themselves subject to certain exceptions:

- (a) The indemnifying party shall not be liable to the indemnified party for indemnification relating to a breach of such party's representations and warranties, as the case may be, until the aggregate amount of all losses in respect of such indemnification exceeds \$500,000, in which event the indemnifying party will be required to pay or be liable for all such losses from the first dollar; provided, that no individual claim for payment of a loss may be made in respect of a breach of a representation or warranty, as applicable, unless such claim is for an amount of \$25,000 or greater.
- (b) The aggregate amount of all losses for which an indemnifying party may be liable pursuant to a breach of such party's representations and warranties, as the case may be, will not exceed 10% of the purchase price under the Sale Agreement.

Amendments and Waivers

The Sale Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party. Sale Agreement provides that no waiver by any party of any of the provisions thereof will be effective unless explicitly set forth in writing and signed by the party so waiving. Sale Agreement further provides that no waiver by any party will operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver, and that no failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from the Sale Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

Governing Law; Exclusive Jurisdiction and Venue

The Sale Agreement is governed and construed in accordance with the laws of the State of

Delaware. The Sale Agreement provides that any legal proceeding arising out of or based upon the Sale Agreement or the Transaction will be instituted in the Delaware Chancery Court or, if such court shall not have jurisdiction, the federal courts in Delaware or any other Delaware court. In addition, each party irrevocably submitted to the exclusive jurisdiction of such courts in any such legal proceeding, irrevocably and unconditionally waived any objection to the venue of any such legal proceeding in such courts and irrevocably waived and agreed not to plead or claim for use of a different venue on the basis of such venue being an inconvenient forum.

The Fourth Amended and Restated Limited Liability Company Agreement

Set forth below is an overview of certain of the material terms and provisions of the LLC Agreement. These terms and provisions, and the LLC Agreement in general, will govern PhoneX's holdings of the Minority Interests, and the relationship of the parties with respect to the membership interests of WSC following the closing of the sale of the Majority Interests pursuant to the Sale Agreement.

WSC Board of Managers

Under the LLC Agreement, WSC's Board of Managers will consist of a total of four individuals, three of whom will be designated by Buyer as the majority member, and one of which will be designated by PhoneX as minority member.

Buyer's Call Option

Under the LLC Agreement, Buyer as majority member will also receive a Call Option to purchase the remaining Minority Interests (currently 20.5%) held by PhoneX. The exercise price for the Call Option is the percentage interest held by PhoneX in WSC on the date of Buyer's exercise of the Call Option multiplied by the sum of (i) \$60 million, (ii) cash minus indebtedness (excluding indebtedness related to any business combination or significant capital expenditure), and (iii) the difference between the working capital of WSC and \$13.5 million (after deducting any working capital related to the exclusions referenced above in clause (ii)).

The Call Option expires on March 31, 2028.

Distributions to Members

Under the LLC Agreement, WSC will annually distribute to its members an amount equal to 85% of earnings before tax (as reported on WSC's audited income statement), pro rata in accordance with each member's membership interests, subject to certain conditions.

Restrictions on Transfer; Right of First Refusal

Under the LLC Agreement, holders of WSC membership interests will be subject to restrictions on the transfer of such membership interests prohibiting such transfers without the prior consent of the other member(s), subject to certain exceptions.

In addition, prior to sales or transfers of membership interests in connection with a bona fide offer to purchase membership interests received from a third party, the member receiving such offer is required to first provide the other member(s) with notice of such offer and such other member(s) will have a right to instead purchase or acquire the membership interests from such offered member on the same terms.

Drag-Along Rights

Under the LLC Agreement, if a member or members holding over 50% of the membership interests of WSC (initially Buyer) receive a bona fide offer from a third party to purchase over 50% of the membership interests, such member has the right to require the other members (initially PhoneX) to participate in such sale transaction, subject to certain exceptions.

Tag-Along Rights

Under the LLC Agreement, if Buyer as the majority member proposes to sell any of its membership interests to a third party, PhoneX as the minority member will have the right to participate in such sale transaction, subject to certain exceptions.

Certain U.S. Federal Income Tax Consequences

We have obtained advice from a tax accounting firm on the tax consequences of the sale of 79.5% of WSC. Based on that advice, we estimate that we will be required to pay approximately \$9 million in federal and state income taxes.

No Investment Banker or Financial Advisor

The Company has not and will not procure the services of an investment bank or financial advisory firm to provide services in connection with the Transaction, including investment advice, financial advice, valuations or fairness opinions in connection with the Transaction.

No Dissenters' (Appraisal) Rights

Holders of PhoneX's common stock are not entitled to appraisal rights in connection with the

Transactions. The DGCL does not provide appraisal rights or other similar rights to shareholders of a corporation in connection with a sale of subsidiaries, even if such sale represents a sale of substantially all of the assets of the Company.

Anticipated and Potential Uses of Proceeds From the Transaction

The gross proceeds from the Transaction will entail the purchase price under the Sale Agreement which is determined based on a formula described elsewhere in this Proxy Statement. Such purchase price does not include any proceeds which may be received in the future if Buyer exercises its option to purchase the Minority Interests, and whether and when such an exercise would occur is uncertain, or other proceeds which may be received under the LLC Agreement. Buyer will have until March 31, 2028 to decide whether to exercise its Call Option for the Minority Interests. When used in this Proxy Statement, the term “net proceeds” means the gross proceeds described above less transaction and related expenses, fees and other amounts paid by the Company in connection with the Sale Agreement and Transaction. Set forth below is an overview of potential uses of the net proceeds from the Transaction.

Working Capital and Growth Capital

If the Transaction is approved by the shareholders and closes, the net proceeds will initially be held as cash (or cash equivalents) on the Company’s balance sheet. PhoneX intends to use a portion of the net proceeds to fund working capital needs and growth initiatives with respect to its remaining SaaS and PhoneX Labs businesses, which will become the Company’s business focus following the closing of the Transaction. A description of the PhoneX SaaS business can be found on PhoneX’s reports submitted to the OTC Markets Group, Inc. pursuant to the OTC Pink Basic Disclosure Guidelines for the fiscal periods ended December 31, 2023 and September 31, 2024, which are publicly available at [OTCMarkets.com](https://www.otcmkt.com).

Dividends

In January 2026, the Company currently expects to use a substantial portion of the net proceeds and pay a dividend to all of its shareholders as of the record date for the dividend. Under the DGCL, the dividend must be in the future. Therefore, holders of the Record Date of February 12, 2025 are entitled to vote at the Special Meeting. However, such shareholders will not be entitled to receive the dividend once it is declared unless they continue to hold their shares of common stock as of the new record date which is expected to be in January 2026. Further there is no guarantee that the Board will declare a dividend at that time.

Shareholders should also understand that there has been no determination by the Board that a dividend will be declared nor has the Board decided on the amount of any dividend. The

Company's officers and directors are also shareholders as of the Record Date for the Special Meeting and expect to retain their shares through any dividend record date. Accordingly, they are motivated to declare a dividend. But they also recognize that they have a duty to act in the best interests of all of the Company's shareholders. They intend to adhere to and fully comply with their fiduciary duty. For information on the beneficial ownership of the members of our Board, see "Principal Shareholders."

Potential Strategic Transactions

The Company may also use net proceeds from the Transaction to fund growth initiatives or strategic transactions, which may potentially include acquisition transactions with businesses complementary to or synergistic with the PhoneX SaaS or PhoneX Labs businesses, investment opportunities which the Board or management identify as presenting the ability to add value for the Company and its shareholders, or otherwise. Any such transactions would be at the discretion of the Board and management, and the nature, timing, quantity and terms of any such transaction or transactions cannot be predicted.

Employee Compensation Awards

Recipients of PhoneX compensation awards will also be entitled to a portion of the net proceeds from the Transaction for an estimated total amount of approximately \$2.4 million.

Note on Potential Uses of Proceeds

The foregoing potential uses of the proceeds from the Transaction, including the timing and amount thereof, remain uncertain and subject to change, and some or all of such potential uses, with the exception of working capital purposes, may not occur at all.

Interests Of Officers and Directors In The Transaction

Participation in Dividend

If the Company determines to effect a dividend of a portion of the net proceeds from the Transaction as referenced above under "Anticipated and Potential Uses of Proceeds from the Transaction," certain of the Company's officers and directors who are also the principal shareholders of the Company will participate in that dividend by virtue of their holdings of the Company's common stock, directly or through affiliated entities. For example, Nikhil Raman, our Chief Executive Officer, beneficially owns 6,004,218 shares of common stock representing approximately 16.8% of the outstanding common stock as of the Record Date, Robert Averick, a director, beneficially owns 13,766,666 shares of common stock representing approximately 38.5%

of the outstanding common stock, and Scott Tepfer, a director, beneficially owns 3,000,000 shares of common stock representing approximately 8.4% of the outstanding common stock, in each case as of the Record Date. See “Principal Shareholders”. The term “beneficially owns” means the person has the power to sell or vote a security or this case our common stock. Mr. Robert Averick, a director, is the beneficial owner of common stock owned by third parties but he is deemed a beneficial owner due to his power to vote the shares, His beneficial ownership includes 35,000 vested stock options but such options cannot vote on either Proposal.

By virtue of these holdings, if a dividend occurs, each of these individuals will receive a substantial dividend. For example, assuming solely for purposes of this hypothetical example that the dividend is in the amount of \$40 million, and assuming further that no changes occur to these holdings or the number of shares outstanding, Mr. Raman would receive \$6,720,000, Mr. Averick and entities he controls would collectively receive \$15,400,000, and Mr. Tepfer would receive \$3,360,000 from the dividend. This hypothetical scenario also assumes that Mr. Averick exercises his options. These amounts assume the executive bonuses described below under “Executive Bonus Program” beginning on page 31 do not apply, as the applicability of such executive bonuses may impact the amount of a dividend. Mr. Raman is one of the two executives who participates in this bonus program. **Shareholders are advised that the foregoing is a hypothetical example only, and no assurances can be given that a dividend will occur or, if a dividend occurs, that it will be for such amount, and any dividend could be for a substantially lower amount.**

Executive Bonus Program

In 2020, the Company’s shareholders approved, and the Company entered into, bonus agreements with two executive officers of the Company – Nikhil Raman, Chief Executive Officer and a director, and Vijay Ganapathy, Chief Technology Officer. Mr. Raman is also a principal shareholder. The plan was designed to compensate the two executives in the event that the Company experiences a liquidity event that provides investors in the 2017 private placement, which occurred on November 17, 2017 and was priced at 50 cents per share, with at least a 10% internal rate of return (“IRR”). By definition, the plan also ensures that investors that participated in the 2018 purchase of convertible notes, which subsequently converted into equity at 30 cents per share, would experience an even higher IRR.

Under this executive bonus program, each such executive officer is entitled to a bonus in the event a transaction such as the sale of WSC occurs resulting in a distribution to the shareholders of the Company of cash proceeds, as long as the distribution results in a distribution per share that exceeds certain calculated per share amounts (the “**Threshold**”). These per share amounts are pro-rated through the course of the year based on the 10% IRR threshold. If a distribution were to occur on November 17, 2025, the Threshold would be \$1.07 per share. If the distribution were to occur between November 17, 2025 and November 17, 2026, the Threshold would be pro-rated for a

partial year, and each such executive officer would be entitled to receive a cash bonus equal to 12.5% of the excess of such distribution over the Threshold. Each such bonus would be capped at 7.5% of the total distribution.

For example, if the dividend occurs on January 1, 2026, assuming for purposes of this hypothetical example that 36,000,000 shares are outstanding on a fully diluted basis as of the record date for such dividend, the Threshold for such dividend would be \$1.085 per share and the total distribution hurdle would be \$39,060,000 (\$1.085 multiplied by 36,000,000 shares outstanding). Using the example on page 31 of this Proxy Statement, the Threshold would be exceeded by \$940,000, and each such executive officer would be entitled to receive \$117,500, representing 12.5% of excess of the total dividend over the Threshold. Were the dividend to be for a higher amount in this hypothetical example, so too would the applicable bonus amounts be higher, and were the dividend to be for a lower amount, so too would the applicable bonus amounts be lower, or if below the Threshold, no bonus would apply. By virtue of these bonuses, any dividend from the net proceeds of the Transaction would be reduced if and to the extent such bonuses are paid. **Shareholders are advised that the foregoing is a hypothetical example only, and no assurances can be given that a dividend will be paid or, if a dividend is paid, any executive bonuses will be paid.**

Effects on PhoneX if the Transaction is Consummated

If the Transaction is approved by the shareholders and closes, PhoneX will sell the Majority Interests (79.5%) of WSC to Buyer, and will cease to have control over WSC. PhoneX will retain the Minority Interests, and will have the rights and be subject to the terms set forth in the LLC Agreement. The Minority Interests will be subject to Buyer's Call Option, and to certain other rights including required annual distribution of income. See "The Fourth Amended and Restated Limited Liability Company Agreement" beginning on page 27 for an overview of the material terms of the LLC Agreement, including certain of the terms governing the Minority Interests. PhoneX will receive the purchase price for the Majority Interests under the Sale Agreement, which net proceeds will be used at PhoneX's discretion. Certain potential or anticipated uses of the net proceeds are discussed under "Anticipated and Potential Uses of Proceeds from the Transaction" on page 29.

In addition to holding a minority stake in WSC following the Transaction, PhoneX will continue to operate, and will focus on, its remaining PhoneX SaaS business and PhoneX Labs business as described in the Company's OTC Reports available at otcm Markets.com. Management plans to monitor its operations following the closing, including the capital needs and performance and prospects of the PhoneX SaaS and PhoneX Labs businesses, and to also seek potential strategic transactions to contemplate those businesses and potentially expand upon its business and operations.

Giving effect to the above and other consequences of the Transaction, the financial condition and results of operations of the Company are expected to be substantially different following the sale of WSC. Attached as Annex A are the unaudited financial statements that the Company submitted pursuant to the OTC Pink Basic Disclosure Guidelines for the fiscal periods ended December 31, 2023 and September 31, 2024. These financial results do not reflect or give effect to the Transaction which has not occurred and is subject to shareholder approval which is the principal purpose for the Special Meeting. Pro Forma Financial Information demonstrating the estimated accounting impact on the financial condition and operating results of PhoneX on a pro forma basis giving effect to certain of the foregoing elements of the Transaction is annexed as Annex B. The Pro Forma Financial Information is subject to certain assumptions that may prove to not occur or be incorrect, which assumptions are described therein. See also “Cautionary Note Regarding Forward-Looking Statements” on page 10. As such, shareholders are urged to review the historical financial information and the Pro Forma Financial Information annexed as Annexes A and B, respectively.

Effects on PhoneX if the Transaction is not Consummated

In addition to the satisfaction of the other conditions to closing set forth in the Sale Agreement, PhoneX cannot complete the Transaction contemplated thereby unless its shareholders approve the Transaction Proposal, because it has been advised that the Transaction constitutes a sale of substantially all of PhoneX’s assets under Delaware law. If the Sale Agreement is terminated following a failure of PhoneX to obtain shareholder approval of the Transaction, PhoneX would be obligated to pay Buyer the Termination Fee of \$2,385,000.

In addition, if following a termination for other reasons, there is an Acquisition Proposal (as defined in the Sale Agreement) that had been publicly announced prior to such a termination and within 12 months after such a termination PhoneX (or WSC) enters into a definitive written agreement with respect to an Acquisition Proposal and the transactions contemplated thereby are later consummated, PhoneX would be obligated to pay Buyer the Termination Fee of \$2,385,000. See “The Sale Agreement—Termination of the Sale Agreement” on page 23 and “The Sale Agreement—Termination Fee” on page 24.

Principal Shareholders

The following table sets forth certain information as of the Record Date of February 12, 2025 with respect to the beneficial ownership of our common stock by (i) each shareholder known by us to be the beneficial owner of more than 5% of our common stock, (ii) by each of our current directors and executive officers as identified herein, and (iii) all of our directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership is determined for purposes of this table

in accordance with the rules of the Securities and Exchange Commission (“SEC”) (although as an OTC reporting company the Company is not subject to SEC reporting rules), and generally includes voting or investment power with respect to securities. Shares of common stock, stock options and any other derivative securities that are currently exercisable or convertible into shares of our common stock within 60 days of the Record Date are deemed to be outstanding and to be beneficially owned by the person holding the derivative securities for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise noted, the address for all officers and directors listed below is the Company’s headquarters located at 150 Executive Dr., Suite Q, Edgewood, NY 11717.

| Beneficial Owner | Amount of Common Stock Beneficially Owned and Nature of Beneficial Owner (1) | Percent of Class (1) |
|---|---|---------------------------------|
| Directors and Executive Officers: | | |
| Nikhil Raman (2) | 6,004,218 | 16.8% |
| Scott Tepfer (3) | 3,000,000 | 8.4% |
| Robert Averick (4)(5) | 13,766,666 | 38.5% |
| All directors and executive officers as a group (3 persons): | 22,770,884 | 63.6% |
| 5% Shareholder: | | |
| Gerald Unterman | 5,091,016 | 14.2% |
| Piton Capital Partners LLC (5) | 12,482,666 | 34.9% |
| Ballista Holdings LLC | 1,978,842 | 5.5% |

* Less than 1%.

- (1) Applicable percentages are based on 35,756,453 shares of common stock outstanding as of the Record Date of February 12, 2025. 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 number of shares reported as beneficially owned by former executive officers and/or directors is based upon a review of the Company's stock transfer agent records.
- (2) Mr. Raman is the Chief Executive Officer and a director. Includes 4,817,552 shares of common stock held by Nik Raman LLC, an entity over which Mr. Raman has investment and voting power.
- (3) Mr. Tepfer is the Executive Vice President and a director.
- (4) Mr. Averick is a director. Represents 275,000 shares owned individually by him, 124,000 shares owned by him and his wife and 35,000 shares issuable upon exercise of vested stock options. Mr. Averick has voting and investment power over 12,482,666 shares owned by Piton Capital Partners LLC, and 850,000 shares owned by other shareholders over which Mr. Averick has investment and voting power in his capacity as a portfolio manager at Kokino LLC.
- (5) Robert Averick has the power to vote the PhoneX common stock owned by Piton Capital Partners LLC. The address for Piton Capital Partners LLC is 201 Tresser Blvd., 3rd Floor, Stamford, CT 06901.

Vote Required

Because members of our Board beneficially own a majority of our outstanding common stock as of the Record Date, they have entered into Voting Agreements under which each such person has agreed to vote shares of common stock which such person beneficially owns in the same manner (but not proportionally) as shareholders who hold the Minority Votes. Therefore, if a majority of the holders of the Minority Votes present at the Special Meeting in person or by proxy vote For the Proposal , the Proposal will pass; conversely if a majority of the holders of the Minority Votes present at the Special Meeting in person or by proxy vote Against the Proposal , then the Proposal will not pass. Abstentions and broker non-votes will be treated as votes Against the Proposal . This means that even if the Proposal receives more votes For than Against, it will not pass unless the number of votes For are equal to at least 50.1% of the Minority Votes present at the Special Meeting in person or by proxy. This is because abstentions and broker non-votes are treated as present.

The Transaction Proposal requires the approval of a majority of the outstanding shares of common stock of PhoneX outstanding and entitled to vote on the proposal. Affiliated shareholders (directors and executive officers) of PhoneX have agreed to vote on the Proposal with holders of the majority of shares held by the non-affiliated shareholders. See “How will affiliated shareholders vote on the Transaction Proposal?” under the Questions and Answers section on page 8.

Other Matters

The Company has no knowledge of any other matters that are to be presented for shareholder vote at the Special Meeting and does not intend to present any other matters at the Special Meeting. However, PhoneX may seek shareholder approval to adjourn the Special Meeting. In that event, the parties to the Voting Agreements will be able to vote for such purpose. We are not asking you to provide a proxy for any such proposal, although if you attend the Special Meeting you will be permitted to vote on an adjournment proposal. However, if any other matters shall properly come before the Special Meeting or any adjournment thereof, the persons soliciting proxies will have the discretion to vote as they see fit unless directed otherwise.

ANNEX A - PHONEX FINANCIAL STATEMENTS

[See attached]

PhoneX Holdings, Inc.

Amendment to Quarterly Report Quarterly Report for period ending
9/30/2024 for 09/30/2024 originally published through the OTC Disclosure
& News Service on [11/14/2024](#)

Explanatory Note:

The Company has made a revision to its financials as further described in footnote 7.

***This coversheet was automatically generated by OTC Markets Group based on the information provided by the Company. OTC Markets Group has not reviewed the contents of this amendment and disclaims all responsibility for the information contained herein.*

PhoneX Holdings, Inc.

A Delaware Corporation

150 Executive Dr., Suite Q
Edgewood, NY 11717

212-213-6805

www.wesellcellular.com

nik@phonexinc.com

SIC Code: 7200

Quarterly Report

For the Period Ending: September 30, 2024
(The "Reporting Period")

The number of shares outstanding of our Common Stock was 35,683,992 as of November 14, 2024

The number of shares outstanding of our Common Stock was 35,641,375 as of September 30, 2024

Shell Status

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

Yes: ☐

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

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

Yes: ☐

No: ☒

Change of Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐

No: ☒

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

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

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

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

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

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

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

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

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

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

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

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

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

150 Executive Dr., Suite Q
Edgewood, NY 11717

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

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

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

2) Security Information

Transfer Agent

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

Publicly Quoted or Traded Securities:

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

| | |
|--|--|
| Trading symbol: | PXHI |
| Exact title and class of securities outstanding: | Common Stock |
| CUSIP: | 71922R106 |
| Par or stated value: | \$0.0001 par value per share |
| Total shares authorized: | 60,000,000 shares of Common Stock as of date: 11/14/2024 |

Total shares outstanding: 35,683,992 shares of Common Stock as of date: 11/14/2024
Total number of shareholders of record: 106 as of date: 11/14/2024

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

Other classes of authorized or outstanding equity securities:

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

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

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

Security Description:

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

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

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

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

N/A – no preferred shares issued or outstanding

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

N/A

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

N/A

3) Issuance History

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

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

A. Changes to the Number of Outstanding Shares

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

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

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

| | | | | | | | | | |
|-------------------|-----------------------|--------------------|----------------|----------------|-----------|------------------|-----------------------------------|--|--|
| <u>09/21/2022</u> | <u>Stock Purchase</u> | <u>(135,258)</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>10/15/2022</u> | <u>New Issuance</u> | <u>60,000</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>10/31/2022</u> | <u>Stock Purchase</u> | <u>(1,000)</u> | <u>Comm on</u> | <u>\$0.915</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>10/2022</u> | <u>Stock Purchase</u> | <u>(2,062,984)</u> | <u>Comm on</u> | <u>\$1.11</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>11/1/2022</u> | <u>New Issuance</u> | <u>35,000</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>11/2022</u> | <u>Stock Purchase</u> | <u>(631,833)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>11/2022</u> | <u>Stock Purchase</u> | <u>(2,700)</u> | <u>Comm on</u> | <u>\$1.02</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/2022</u> | <u>Stock Purchase</u> | <u>(136,666)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>01/2023</u> | <u>Stock Purchase</u> | <u>(533,702)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>06/2023</u> | <u>Stock Purchase</u> | <u>(80,000)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>11/30/2023</u> | <u>Stock Purchase</u> | <u>(13,000)</u> | <u>Comm on</u> | <u>\$1.10</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/4/2023</u> | <u>Stock Purchase</u> | <u>(12,000)</u> | <u>Comm on</u> | <u>\$1.10</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/01/2023</u> | <u>New Issuance</u> | <u>100,000</u> | <u>Comm on</u> | <u>\$0.04</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>01/16/2024</u> | <u>Stock Purchase</u> | <u>(79,531)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>01/30/2024</u> | <u>Stock Purchase</u> | <u>(100,000)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>02/01/2024</u> | <u>Stock Purchase</u> | <u>(74,471)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>04/11/2024</u> | <u>Stock Purchase</u> | <u>(153,334)</u> | <u>Comm on</u> | <u>\$.80</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>07/15/2024</u> | <u>Stock Purchase</u> | <u>(79,940)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |

| | | | | | | | | | |
|--|------------------------------------|----------------|----------------|---------------|-----------|------------------|------------------------------|--|--|
| <u>08/31/2024</u> | <u>Stock Purchase</u> | <u>(1,253)</u> | <u>Comm on</u> | <u>\$1.09</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>10/07/2024</u> | <u>Stock Issuance</u> | <u>42,617</u> | <u>Comm on</u> | | | <u>See below</u> | <u>Employee Stock Plan</u> | | |
| Shares Outstanding on Date of This Report: | | | | | | | | | |
| <u>Ending Balance:</u> | | | | | | | | | |
| Date 11/14/2024 | Common: 35,683,992 Preferred: 0 | | | | | | | | |

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

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

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

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

- In January 2022, the Company purchased 3,330,427 shares for a purchase price of \$3,096,048 pursuant to board approved transaction with a major shareholder.
- In January 2022, the Company purchased 7,602 shares for a purchase price of \$6,613 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In February 2022, the Company purchased 168,659 shares for a purchase price of \$155,166 pursuant to its stock repurchase program.
- In February 2022, the Company purchased 5,200 shares for a purchase price of \$4,405 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In March 2022, the Company purchased 11,400 shares for a purchase price of \$8,428 pursuant to its stock repurchase program. These shares are currently held as treasury stock.
- In April 2022, the Company purchased 4,400 shares for a purchase price of \$3,837 pursuant to its stock repurchase plan.
- In May 2022, the Company issued 90,000 shares to employees in exchange for \$63,000 pursuant to the exercise of options.
- In June 2022, the Company purchased 400 shares for a purchase price of \$364 pursuant to its stock repurchase plan. These shares are currently held as treasury stock.
- In June 2022, the Company purchased 200,000 shares for a purchase price of \$15,000 pursuant to its stock repurchase program.
- In August 2022, the Company issued 83,333 shares to employees in exchange for \$16,333 pursuant to the exercise of options.
- In August 2022, the Company purchased 3,100 shares for a purchase price of \$3,023 pursuant to its stock repurchase program.
- In September 2022, the Company purchased 157,358 shares for a purchase price of \$142,344 pursuant to its stock repurchase program.
- In October 2022, the Company purchased 1,000 shares for a purchase price of \$915 pursuant to its stock repurchase program.
- In October 2022, the Company issued 60,000 shares to employees as part of its employee stock plan.
- In November 2022, the Company issued 35,000 shares to a director in exchange for \$31,500 pursuant to the exercise of options.

- During the period beginning October 7, 2022 and ending on November 1, 2022, the Company entered into a series of agreements whereby it repurchased 2,062,984 shares of common stock from 11 shareholders including one director and related parties in exchange for paying the shareholders \$2,285,421.60. Immediately following the repurchase, the director resigned from the board of directors.
- In November 2022, the Company purchased 631,833 shares of its common stock for \$726,607.
- In November 2022, the Company purchased 2,700 shares of its common stock via its stock re-purchase plan for \$2,750.
- In December 2022, the Company purchased 136,666 shares of its common stock via its stock re-purchase plan for \$157,165.
- In January 2023, the Company purchased 533,702 shares of its common stock from 3 related shareholders for a purchase price of \$613,757.
- In June 2023, the Company purchased 80,000 shares of its common stock for a purchase price of \$80,000.
- In November 2023, the Company purchased 13,000 shares of its common stock for a purchase price of \$14,300.
- In December 2023, the Company purchased 12,000 shares of its common stock for a purchase price of \$13,200.
- In December 2023, the Company issued 100,000 shares to employees as part of its employee stock plan for an average exercise price of \$0.04
- In January 2024, the Company purchased 79,531 shares of its common stock for a purchase price of \$79,531.
- In January 2024, the Company purchased 100,000 shares of its common stock for a purchase price of \$100,000.
- In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of \$74,471.
- In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.
- In July 2024, the Company purchased 79,940 shares of its common stock for a purchase price of \$79,940.
- In August 2024, the Company purchased 1,253 shares of its common stock for a purchase price of \$1,365.
- In October 2024, the Company issued 42,617 shares of its common stock to an employee as part of its employee stock plan.

B. Promissory and Convertible Notes

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

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

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

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

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

4) Issuer's Business, Products and Services

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

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

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

3rd Quarter 2024 Financial Highlights

Key financial metrics are as follows:

- Revenues decreased by \$938,000, or 2.2%, to \$40,990,000 for the three months ended September 30, 2023, from \$41,928,000 for the three months ended September 30, 2023.
- Revenues decreased by \$3,600,000, or 2.7%, to \$128,876,000 for the nine months ended September 30, 2024, from \$132,476,000 for the nine months ended September 30, 2023.
- Gross profit increased by \$168,000, or 6.8%, to \$2,640,000 for the three months ended September 30, 2024, from \$2,472,000 for the three months ended September 30, 2023.
- Gross profit decreased by \$340,000, or 3.4%, to \$9,588,000 for the nine months ended September 30, 2024, from \$9,928,000 for the nine months ended September 30, 2023.
- Operating income increased by \$21,000, or 4.5%, to \$477,000 for the three months ended September 30, 2024, from \$456,000 for the three months ended September 30, 2023.
- Operating income decreased by \$794,000, or 22.2%, to \$2,787,000 for the nine months ended September 30, 2024, from \$3,581,000 for the nine months ended September 30, 2023.
- Net income increased by \$54,000, or 14.4%, to \$431,000 for the three months ended September 30, 2024 from \$377,000 for the three months ended September 30, 2023.
- Net income decreased by \$539,000, or 18.7%, to \$2,337,000 for the nine months ended September 30, 2024 from \$2,876,000 for the nine months ended September 30, 2023.
- EBITDA, a non-GAAP financial measure, increased by \$24,000, or 5.1%, to \$503,000 for the three months ended September 30, 2024, from \$479,000 for the three months ended September 30, 2023. See “Non-GAAP Financial Measure - EBITDA” below.
- EBITDA, a non-GAAP financial measure, decreased by \$792,000, or 21.7%, to \$2,865,000 for the nine months ended September 30, 2024, from \$3,657,000 for the nine months ended September 30, 2023. See “Non-GAAP Financial Measure - EBITDA” below.
- The Company had working capital of \$20,069,000 at September 30, 2024 vs. working capital of \$16,049,000 at September 30, 2023.

Margins in the Proprietary Trading business trended higher in Q3 2024 than in Q3 2023, as the market continued to normalize versus the prior year. While we cannot be certain that these positive margin trends will continue, we believe that at least some of the dynamics that resulted in suppressed margins in 2023 were temporary. In addition, we believe that the investments that we made in technology and operational efficiency during this period have positioned us favorably versus our competitors. While Q3 is a historically challenging period for the Proprietary Trading business as supply tends to diminish during the summer months, management is optimistic that the new iPhone release cycle will drive meaningful economics for the Company in Q4 and in Q1 2025 as consumer excitement around AI capabilities motivates a significant number of consumers to replace older generation devices. Early indications in Q4 suggest that volume will be robust at least in the near term.

In an effort to expand the Company's market share and capitalize on this upgrade cycle, management will continue to seek strategies to expand the Company's reach. We believe that we can leverage our scale and technological advantages to drive efficiencies and gain advantage over less efficient, more thinly-capitalized competitors. We continue to invest in our remanufacturing operation, which we believe will result in long-term market share expansion and margin growth. This endeavor has already begun to generate positive economic value for the Company, and we hope to leverage our new capability to drive meaningful profits during the current upgrade cycle. We have also developed IP in the area of screen polishing that we hope to license to large industry participants in the coming months. We have incorporated a new entity, PhoneX Labs, which will license this new technology to both WeSellCellular and external industry participants. While there is no guarantee that this endeavor will be successful, it has the potential to result in a high margin revenue stream for the Company. We are progressing in the lean transformation of our distribution center, which we expect will reduce our variable costs to process devices. To drive these initiatives, the Company will continue to make investments

in personnel and infrastructure during the upcoming quarters. The success of We Sell Cellular's growth strategy depends on its ability to execute and continue to scale its volumes despite uncertain market conditions.

The Company continued to generate meaningful software revenue via licensing agreements effected through its PhoneX, Inc. subsidiary. We are optimistic about our efforts to diversify and grow our licensing revenue streams, as we launched several pilot programs with new large clients during Q3, and plan to expand these pilots in the coming months. In addition, in 2023 the Company launched PhoneX Connect, a service that enables smaller resellers to connect to and pre-sell inventory of larger suppliers. PhoneX Connect enables larger suppliers, like We Sell Cellular, to expand distribution while enabling smaller resellers to grow without substantial investment in inventory. Our initial test of PhoneX Connect with We Sell Cellular was successful, and we are now adding additional suppliers to the network. We have already added additional large suppliers to the network and expect to continue to expand our network in the coming months.

Given our goal of transforming into a scalable technology company generating high-margin, recurring revenues, we will continue to focus on growing licensing revenue related to our Platform Partnership business while investing in long-term growth. The Company will invest in technologies that enhance multi-tenancy, internationalization, high-availability, and scalability. All of our initiatives are geared toward increasing the long-term value of the enterprise. We have made substantial strides on our machine learning initiatives, which seek to develop algorithms to assist our customers in making intelligent pricing decisions. These algorithms are already being utilized by our clients in their production environments and are proving to drive significant improvements when compared with human driven decision making. Furthermore, we are starting the development of an industry-specific Warehouse Management software offering that will integrate seamlessly with our existing products. This product will enable clients to dynamically route inventory through their processing, polishing, and repair operations, enabling them to maximize value and collect data at every step of the reverse-manufacturing process. We believe that there are hundreds of potential clients for this product in the mobile device industry alone. We also believe that the problems solved by our WMS apply to remanufacturing businesses in other industries.

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

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including statements regarding the Company's expectations for the upcoming iPhone release and its impact on the Company's Proprietary Trading business, our ability to enhance our competitive edge, our ability to generate meaningful software revenue and future growth of PhoneX Connect, and anticipated trends or expectations for our consumer volume, supplier network and operating results and profitability. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

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

Non-GAAP Financial Measure - EBITDA

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

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

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

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------|-------------------------------------|-------------------|------------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) | \$ 431,000 | \$ 377,000 | \$ 2,337,000 | \$ 2,875,000 |
| Depreciation and amortization | 27,000 | 24,000 | 78,000 | 76,000 |
| Interest income | (68,000) | (21,000) | (166,000) | (57,000) |
| Income Tax Expense (Benefit) | 113,000 | 99,000 | 616,000 | 763,000 |
| EBITDA | <u>\$ 503,000</u> | <u>\$ 479,000</u> | <u>\$ 2,865,000</u> | <u>\$ 3,657,000</u> |

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

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

C. Describe the issuers’ principal products or services.

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

PhoneX Holdings’ second operating model is characterized by a Platform Partnership Model, through which it licenses its software via its wholly owned subsidiary, PhoneX, Inc. PhoneX has developed a cloud based, software solution that enables large and small distributors of mobile devices to sell inventory online and automate many of the processes associated with selling mobile devices

in bulk. By licensing PhoneX’s software as a service, distributors can increase sales prices and sales velocity, while getting access to PhoneX’s analytics and pricing engine. PhoneX licenses its software to We Sell Cellular LLC through an intercompany agreement.

The Company hopes to add additional licensing revenue streams in the future through the establishment of PhoneX Labs, which will invest in hardware and physical infrastructure to improve the process of testing, grading, and remanufacturing pre-owned mobile devices.

Revenue Model

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

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

5) Issuer’s Facilities

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

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

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

6) All Officers, Directors, and Control Persons

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

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

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

| Names of All Officers, Directors and Control Persons | Affiliation with Company (e.g. Officer Title/Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned | Share type/class | Ownership Percentage of Class Outstanding | Note |
|--|--|---|------------------------|------------------|---|------|
| | | | | | | |

| | | | | | | |
|--------------------------------|------------------------------------|-----------------------|------------|--------|-------|--|
| Nikhil Raman | Chief Executive Officer, Director | Brooklyn, New York | 6,004,218 | Common | 16.8% | |
| Scott Tepfer | Executive Vice President, Director | Edgewood, New York | 3,000,000 | Common | 8.4% | |
| Robert Averick(1)(2) | Director | Delray Beach Florida | 13,731,666 | Common | 38.4% | |
| Piton Capital Partners LLC (1) | 5% owner | Stamford, Connecticut | 12,482,666 | Common | 35.0% | |
| Gerald Unterman | 5% owner | New York, New York | 5,091,016 | Common | 14.3% | |

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

7) Legal/Disciplinary History

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

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

No

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

No

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

No

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

No

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

No

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

No

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

None.

8) Third Party Providers

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

Securities Counsel (must include Counsel preparing Attorney Letters).

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

Accountant or Auditor

Name: Kieron M. Ludde
Firm: Hill, Barth & King LLC
Address 1: 48 South Service Road, Suite 310
Address 2: Melville, NY 11747
Phone: (516) 822-5000
Email: KLudde@hbkcpa.com

Investor Relations Consultant – N/A

All other means of Investor Communication:

X (Twitter): None
Discord: None
LinkedIn: None
Facebook: None
Other: None

Other Service Providers - N/A

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

9) Disclosure & Financial Information

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

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

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

- ☒ U.S. GAAP
☐ IFRS

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

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

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

Provide the following qualifying financial statements:

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

10) Issuer Certification

Principal Executive Officer:

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

The certifications shall follow the format below:

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending September 30, 2024;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/14/2024

/s/ Nikhil Raman

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

Principal Financial Officer:

I, Nikhil Raman certify that:

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

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending September 30, 2024;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/14/2024

/s/ Nikhil Raman

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

PHONEX HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2024

Index to Consolidated Financial Statements

| | <u>Page</u> |
|--|--------------------|
| Consolidated Balance Sheets at September 30, 2024 and December 31, 2023 | 18 |
| Consolidated Statements of Operations for the 9 months period ended September 30, 2024 and 2023 | 19 |
| Consolidated Statements of Changes in Stockholders' Equity for the 9 months period ended September 30, 2024 and 2023 | 20 |
| Consolidated Statements of Cash Flows for the 9 months period ended September 30, 2024 and 2023 | 21 |
| Notes to Consolidated Financial Statements | 22 |

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

| | <u>September 30</u> | <u>December 31</u> |
|---|-----------------------------|-----------------------------|
| | <u>2024</u> | <u>2023</u> |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 14,762,121 | \$ 6,266,946 |
| Accounts receivable, net | 3,882,480 | 3,823,715 |
| Inventory | 3,973,203 | 10,227,611 |
| Prepaid expenses and other current assets | 201,712 | 159,482 |
| Total Current Assets | 22,819,516 | 20,477,754 |
| Property and equipment, net | 260,331 | 264,425 |
| Deferred Tax Asset Non-Current (net) | 2,286,000 | 2,286,000 |
| Operating lease right-of-use asset | 537,633 | 735,380 |
| Other assets | 40,775 | 40,775 |
| Total Assets | <u>\$ 25,944,255</u> | <u>\$ 23,804,334</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 556,422 | \$ 479,755 |
| Accrued expenses | 892,728 | 1,230,429 |
| Deferred revenue | 1,026,538 | 475,219 |
| Capital lease obligation | — | 266,203 |
| Operating lease liability, current portion | 275,116 | — |
| Total Current Liabilities | 2,750,804 | 2,451,606 |
| Operating lease liability, net of current portion | 287,399 | 494,089 |
| Total Liabilities | <u>3,038,203</u> | <u>2,945,695</u> |
| Stockholders' Equity: | | |
| Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock; \$0.0001 par value; 60,000,000 shares authorized; 35,713,836 shares and 36,201,112 issued and outstanding, respectively | 3,572 | 3,621 |
| Treasury Stock | (7) | (7) |
| Additional paid-in capital | 72,417,422 | 72,706,859 |
| Accumulated deficit | (49,514,935) | (51,851,834) |
| Total Stockholders' Equity | <u>22,906,052</u> | <u>20,858,639</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 25,944,255</u> | <u>\$ 23,804,334</u> |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------------|--|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue | \$ 40,990,117 | \$ 41,928,492 | \$ 128,875,939 | \$ 132,476,626 |
| Cost of Revenue | 38,350,030 | 39,456,463 | 119,287,463 | 122,548,282 |
| Gross Profit | 2,640,087 | 2,472,029 | 9,588,476 | 9,928,344 |
| Operating Expenses: | | | | |
| Sales and marketing | 305,109 | 259,178 | 930,172 | 807,567 |
| General and administrative | 1,858,359 | 1,757,029 | 5,871,494 | 5,539,117 |
| Total operating expenses | 2,163,468 | 2,016,207 | 6,801,666 | 6,346,684 |
| Income from Operations | 476,649 | 455,822 | 2,786,810 | 3,581,660 |
| Other Expense: | | | | |
| Interest income | 68,070 | 20,881 | 166,089 | 57,231 |
| Interest expense | — | — | — | — |
| Other Income | — | — | — | — |
| Total Other (Expense) Income, Net | 68,070 | 20,881 | 166,089 | 57,231 |
| Income before income tax expense | 544,679 | 476,703 | 2,952,889 | 3,638,891 |
| Income tax expense (benefit) | 113,500 | 99,291 | 616,000 | 763,291 |
| Net Income | \$ 431,189 | \$ 377,412 | \$ 2,336,899 | \$ 2,875,600 |
| Basic and Diluted Income per Common Share: | | | | |
| Net income per common share – basic | \$ 0.01 | \$ 0.01 | \$ 0.07 | \$ 0.08 |
| Net income per common share – diluted | \$ 0.01 | \$ 0.01 | \$ 0.07 | \$ 0.08 |
| Weighted average number of common shares outstanding during the period – basic | 35,653,534 | 36,054,904 | 35,780,259 | 36,157,192 |
| Weighted average number of common shares outstanding during the period – diluted | 36,215,784 | 36,547,819 | 36,342,509 | 36,650,877 |

See accompanying notes to consolidated financial statements.

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

Nine months Ended September 30, 2024

| | Common Stock, | | | | | Total | |
|--|--------------------|---------|----------------|--------|----------------------------------|------------------------|-----------------------------------|
| | \$0.0001 Par Value | | Treasury Stock | | Additional Paid in Capital | Accumulated Deficit | Stockholders' Equity (Deficit) |
| | Shares | Amount | Shares | Amount | | | |
| | | | | | | | |
| Balance, January 1, 2024 | 36,201,112 | \$3,621 | (71,208) | \$(7) | \$72,706,859 | \$(51,851,834) | \$20,858,639 |
| Stock based compensation | | | | | 168,489 | | 168,489 |
| Repurchase and retirement of common stock | (487,276) | (49) | (1,253) | (0) | (457,926) | | (457,975) |
| Net Income | | | | | | 2,336,899 | 2,336,899 |
| Balance, September 30, 2024 | 35,713,836 | \$3,572 | (72,461) | \$ (7) | \$72,417,422 | \$(49,514,935) | \$22,906,052 |

Nine months Ended September 30, 2023

| | Common Stock, | | | | Additional Paid in Capital | Accumulated Deficit | Total |
|--|--------------------|---------|----------------|--------|----------------------------------|------------------------|------------------|
| | \$0.0001 Par Value | | Treasury Stock | | | | Stockholders' |
| | Shares | Amount | Shares | Amount | | | Equity (Deficit) |
| Balance, January 1, 2023 | 36,875,072 | \$3,688 | (206,466) | \$(21) | \$73,284,262 | \$(58,449,143) | \$14,838,786 |
| Stock based compensation | | | | | 251,048 | | 251,048 |
| Repurchase and retirement of common stock | (748,960) | (75) | 135,258 | 14 | (693,696) | | (693,771) |
| Net Income | | | | | | 2,875,600 | 2,875,600 |
| Balance, September 30, 2023 | 36,126,112 | \$3,613 | (71,208) | \$ (7) | \$72,841,614 | \$(55,573,543) | \$17,271,677 |

See accompanying notes to consolidated financial statements.

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

| | Nine Months Ended September 30, | |
|--|--|----------------------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 2,336,899 | \$ 2,875,000 |
| Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities: | | |
| Depreciation and amortization | 78,146 | 75,627 |
| Stock based compensation | 168,489 | 251,048 |
| Changes in operating lease right-of-use asset | 204,657 | 204,655 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (58,765) | (620,065) |
| Inventory | 6,254,408 | (1,737,571) |
| Prepaid expenses and other current assets | (42,230) | (8,059) |
| Accounts payable | 76,667 | 54,222 |
| Accrued expenses | (337,701) | 71,995 |
| Deferred revenue | 551,319 | (60,704) |
| Payments of operating lease liability | (204,687) | (198,727) |
| Net Cash and Cash Equivalents (Used In) Provided By Operating Activities | <u>9,027,202</u> | <u>907,981</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash paid to purchase property and equipment | (74,052) | (94,245) |
| Net Cash and Cash Equivalents Used In Investing Activities | <u>(74,052)</u> | <u>(94,245)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of common stock | (457,975) | (693,757) |
| Net Cash and Cash Equivalents Provided By (Used In) Financing Activities | <u>(457,975)</u> | <u>(693,757)</u> |
| Net Increase in Cash and Cash Equivalents | | |
| Cash and Cash Equivalents - Beginning of Period | 6,266,946 | 4,964,172 |
| Cash and Cash Equivalents - End of Period | <u>\$ 14,762,121</u> | <u>\$ 5,084,151</u> |
| SUPPLEMENTARY CASH FLOW INFORMATION: | | |
| Cash Paid During the Period for: | | |
| Income Taxes | <u>\$ 358,650</u> | <u>\$ 889,909</u> |

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 - Organization and Business

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

Liquidity

At September 30, 2024, the Company had cash and cash equivalents of \$14,762,121, working capital of \$20,068,712 and an accumulated deficit of \$49,514,935. In addition, the Company generated net income of \$2,366,899 and cash generated by operating activities amounted to \$9,027,202 for the period ended September 30, 2024. Historically, the principal source of liquidity has been the issuance of debt and equity securities. The Company does not believe it will need to raise additional funds in order to meet expenditures required for operating its business.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable represent obligations from the Company’s customers and are recorded net of allowances for credit losses. 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 credit losses is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are written off after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was \$37,279 and \$43,429 at September 30, 2024 and September 30, 2023, respectively.

Inventory, net

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Allowances for slow-moving or obsolete inventory are provided based on historical experience of a variety of factors, including sales volume, product life and levels of inventory at the end of the year. The inventory reserve was approximately \$115,000 and \$203,000 as of September 30, 2024 and September 30, 2023, 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 \$876,000 and \$1,733,000 at September 30, 2024 and September 30, 2023, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

Property and Equipment

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

Intangible Assets

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

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

The Company periodically reviews the carrying values of its intangible assets and other long-lived assets when events or changes in circumstances indicate that it is more likely than not that their carrying values may exceed their fair values, and records an impairment charge when considered necessary. When circumstances indicate that an impairment of value may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying amount of the asset over its estimated fair value, is recognized. The cash flow estimates used in such calculations are based on estimates and assumptions, using all available information that management believes is reasonable. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. During the periods ended September 30, 2024 and 2023, the Company noted no indicators of impairment.

Leases

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

During 2022, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of January 1, 2022.

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

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and non-current portion) on the accompanying consolidated balance sheets. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of future payments. The operating lease ROU assets exclude lease incentives and initial direct costs incurred. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected the related practical expedients that are available.

Capitalized Technology Costs

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

Revenue Recognition

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

Principal Device Revenue

The Company, through its subsidiary We Sell Cellular, generates revenue from the sales of its cellular telephones and related equipment. The Company recognizes revenue “FOB shipping point” on such sales. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer when the products leave the Company’s warehouse. Payment terms generally require payment once an order is placed. The Company allows customers to return product within 30 days of shipment if the product is defective. Allowances for product returns are recorded as a reduction of sales at the time revenue is recognized based on historical data. The estimate of the allowance for product returns amounted to \$281,000 and \$381,000 at September 30, 2024 and 2023, respectively, and is recorded in accrued expenses in the accompanying consolidated balance sheets.

Licensing Revenue

The Company, through its subsidiary PhoneX Inc., generates revenue by licensing its software as a service to third parties.

Deferred Revenue

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

Shipping and Handling Costs

The Company follows the provisions of ASC Topic 605-45 regarding shipping and handling costs. Shipping and handling costs included in cost of revenue were approximately \$112,000 and \$210,000 for the three months ended September 30, 2024 and 2023, respectively, and \$540,000 and \$653,000 for the nine months ended September 30, 2024 and 2023, respectively.

Advertising

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately \$83,000 and \$115,000 for the three months ended September 30, 2024 and 2023, respectively, and \$241,000 and \$291,000 for the nine months ended September 30, 2024 and 2023, respectively.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Share-Based Payment Arrangements

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

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

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

Income Taxes

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

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

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

The Company’s policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of September 30, 2024 and September 30, 2023.

Concentration of Credit Risk

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

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. At times, the Company’s cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of \$250,000 per institution, per entity. At September 30, 2024 and 2023, the Company had approximately \$13,232,000 and \$3,760,000, respectively, in excess of the FDIC limits.

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

Note 3 - Commitments and Contingencies

Legal Proceedings

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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

Operating Leases

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

The table below presents the lease-related assets and liabilities recorded on the accompanying consolidated balance sheets as of September 30, 2024:

| Assets | | Classification on the Balance Sheet | |
|---------------------------------------|--|--|----------------|
| Noncurrent | | Operating lease right-of-use asset | <u>537,633</u> |
| Liabilities | | | |
| Current | | Operating leases – current portion | 275,116 |
| Noncurrent | | Operating leases – long-term portion | <u>287,399</u> |
| Total operating lease liabilities | | | <u>562,515</u> |
| Weighted-average remaining lease term | | | 4.00 years |
| Weighted-average discount rate | | | 1.37% |

Rent expense, amounting to \$82,432 and \$81,464 for the three months ended September 30, 2024 and 2023, respectively, and \$250,979 and \$249,156 for the nine months ending September 30, 2024 and 2023, respectively, is included in general and administrative expense in the consolidated statements of operations

Undiscounted Cash Flows

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of September 30, 2024 is approximately as follows:

| | |
|------------------------------------|----------------|
| 2024 | 70,275 |
| 2025 | 283,209 |
| 2026 | <u>217,152</u> |
| Total minimum lease payments | 569,102 |
| Less: amount representing interest | <u>8,120</u> |
| Present value of lease liabilities | <u>562,515</u> |

Note 4 - Stock-Based Compensation

Stock Option Grants

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The following table summarizes the Company's stock option activity for the period ended September 30, 2024:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) | Aggregate Intrinsic Value |
|----------------------------------|------------------------------|--|---|--------------------------------------|
| Outstanding – December 31, 2023 | 1,780,000 | \$ 0.79 | 2.2 | \$ 264,400 |
| Granted | -- | | | -- |
| Exercised | -- | | | |
| Forfeited or canceled | (50,000) | | | -- |
| Outstanding – September 30, 2024 | <u>1,730,000</u> | <u>\$ 0.81</u> | <u>1.7</u> | <u>\$ 458,775</u> |
| Exercisable – September 30, 2024 | <u>1,231,667</u> | <u>\$ 0.74</u> | <u>1.9</u> | <u>\$ 410,340</u> |

The Company recorded non-cash compensation expense of \$56,163 and \$81,519 for the three months ended September 30, 2024 and 2023, respectively, and \$168,489 and \$251,048 for the nine months ended September 30, 2024 and 2023, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at September 30, 2024 amounts to \$258,457 and is expected to be recognized over a weighted average period of 1.35 years.

The following table summarizes the Company's stock option activity for non-vested options for the three months ended September 30, 2024:

| | Number of Options | Weighted Average Grant Date Fair Value |
|-------------------------------|------------------------------|---|
| Balance at December 31, 2023 | 860,417 | \$ 0.98 |
| Granted | -- | -- |
| Vested | (362,084) | (0.31) |
| Forfeited or canceled | | |
| Balance at September 30, 2024 | <u>498,333</u> | <u>\$ 1.25</u> |

Note 5 – Customer and Vendor Concentrations

Customer Concentration

During the three months ended September 30, 2024, one customers represented 10% or more of revenue, representing 10%. During the three months ended September 30, 2023, one customers represented 10% or more of revenue, representing 27%. During the three months ended September 30, 2024, 69% and 10% of the Company's revenues were originated in the United States and Mexico, respectively. During the three months ended September 30, 2023, 53% and 27% of the Company's revenues were originated in the United States and Mexico, respectively.

During the nine months ended September 30, 2024, no customer represented 10% of revenues. During the nine months ended September 30, 2023, one customer represented 24% of revenues. During the nine months ended September 30, 2024, 72% of the Company's revenues were originated in the United States. During the nine months ended September 30, 2023, 53% and 25% of the Company's revenues were originated in the United States and Mexico, respectively.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

At September 30, 2024, one customer represented at least 10% of accounts receivable, accounting for 19% of the Company's accounts receivables. At September 30, 2023, two customers represented at least 10% of accounts receivable, accounting for 24% and 12% of the Company's accounts receivable, respectively

Vendor Concentration

During the three months ended September 30, 2024, two vendors represented 10% or more of purchases, accounting for 56% and 14%, respectively, of the Company's purchases. During the three months ended September 30, 2023, two vendors represented 10% or more of purchases, accounting for 51% and 21%, respectively, of the Company's purchases.

During the nine months ended September 30, 2024, two vendors represented 10% or more of purchases, accounting for 65% and 10%, respectively, of the Company's purchases. During the nine months ended September 30, 2023, three vendors represented 10% or more of purchases, accounting for 45%, 17% and 16%, respectively, of the Company's purchases.

Note 6 – Stock Purchase

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

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

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

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

In January 2024, the Company purchased 179,531 shares of its common stock for a purchase price of \$179,531.

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

In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.

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

In August 2024, the Company purchased 1,253 shares of its common stock for a purchase price of \$1,365.

Note 7 - Revision of previously issued financial statements

Subsequent to the filing of its quarterly report for the period ending September 30, 2024, the Company identified a footing error which incorrectly reflected the total amount of its liabilities on its balance sheet as of September 30, 2024. No other statements or amounts were impacted by this error.

| | <u>As Previously Reported</u> | <u>Adjustments</u> | <u>As Revised</u> |
|--|-------------------------------|--------------------|-------------------|
| Balance sheet as of September 30, 2024 | | | |
| Total Liabilities | \$ 2,038,203 | \$ 1,000,000 | \$ 3,038,203 |

Note 8 – Subsequent Events

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

PhoneX Holdings, Inc.

A Delaware Corporation

150 Executive Dr., Suite Q
Edgewood, NY 11717

212-213-6805

www.wesellcellular.com

nik@phonexinc.com

SIC Code: 7200

Annual Report

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

The number of shares outstanding of our Common Stock was 35,975,493 as of April 3, 2024

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

Shell Status

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

Yes: ☐

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

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

Yes: ☐

No: ☒

Change of Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐

No: ☒

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

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

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

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

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

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

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

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

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

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

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

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

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

150 Executive Dr., Suite Q
Edgewood, NY 11717

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

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

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

2) Security Information

Transfer Agent

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

Publicly Quoted or Traded Securities:

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

| | |
|--|--|
| Trading symbol: | PXHI |
| Exact title and class of securities outstanding: | Common Shares |
| CUSIP: | 71922R106 |
| Par or stated value: | \$0.0001 par value per share |
| Total shares authorized: | 60,000,000 shares of common as of date: 04/03/2024 |

Total shares outstanding: 35,975,493 shares of common as of date: 04/03/2024
Total number of shareholders of record: 112 as of date: 04/03/2024

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

Other classes of authorized or outstanding equity securities:

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

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

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

Security Description:

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

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

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

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

N/A – no preferred shares issued or outstanding

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

N/A

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

N/A

3) Issuance History

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

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

A. Changes to the Number of Outstanding Shares

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

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

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

| | | | | | | | | | |
|-------------------|-----------------------|--------------------|----------------|----------------|-----------|------------------|-----------------------------------|--|--|
| <u>09/21/2022</u> | <u>Stock Purchase</u> | <u>(135,258)</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>10/15/2022</u> | <u>New Issuance</u> | <u>60,000</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>10/31/2022</u> | <u>Stock Purchase</u> | <u>(1,000)</u> | <u>Comm on</u> | <u>\$0.915</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>10/2022</u> | <u>Stock Purchase</u> | <u>(2,062,984)</u> | <u>Comm on</u> | <u>\$1.11</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>11/1/2022</u> | <u>New Issuance</u> | <u>35,000</u> | <u>Comm on</u> | <u>\$0.90</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>11/2022</u> | <u>Stock Purchase</u> | <u>(631,833)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>11/2022</u> | <u>Stock Purchase</u> | <u>(2,700)</u> | <u>Comm on</u> | <u>\$1.02</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/2022</u> | <u>Stock Purchase</u> | <u>(136,666)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>01/2023</u> | <u>Stock Purchase</u> | <u>(533,702)</u> | <u>Comm on</u> | <u>\$1.15</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Agreement</u> | | |
| <u>06/2023</u> | <u>Stock Purchase</u> | <u>(80,000)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>11/30/2023</u> | <u>Stock Purchase</u> | <u>(13,000)</u> | <u>Comm on</u> | <u>\$1.10</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/4/2023</u> | <u>Stock Purchase</u> | <u>(12,000)</u> | <u>Comm on</u> | <u>\$1.10</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>12/01/2024</u> | <u>New Issuance</u> | <u>100,000</u> | <u>Comm on</u> | <u>\$0.04</u> | <u>No</u> | <u>See below</u> | <u>Employee stock plan</u> | | |
| <u>01/16/2024</u> | <u>Stock Purchase</u> | <u>(79,940)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |
| <u>02/01/2024</u> | <u>Stock Purchase</u> | <u>(74,471)</u> | <u>Comm on</u> | <u>\$1.00</u> | <u>No</u> | <u>See below</u> | <u>Stock Repurchase Plan</u> | | |

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Shares Outstanding on Date of This Report: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

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

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

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

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

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

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

B. Promissory and Convertible Notes

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

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

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

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

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

4) Issuer's Business, Products and Services

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

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

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

2023 Financial Highlights

Key financial metrics are as follows:

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

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

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

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

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

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

Cautionary Note Regarding Forward Looking Statements

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

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ

materially from these forward-looking statements include the risks arising from sales of iPhone 15 and future iPhone launches, our ability to continue to procure higher volumes of devices at favorable prices, potential adverse effects of increased interest rates in response to inflation, and continued uncertainty in the financial sector and national and global economies, the continued demand for mobile devices and infrastructure and software offerings on which our business focuses and depends which may, among other factors, be negatively affected by a recession and is dependent on mobile phone manufacturers and other third parties which are beyond our control, the possibility that our efforts to grow our business and the perceived benefits of these efforts do not come to fruition, including due to inaccurate or incomplete assumptions, expectations or estimates on which our growth strategies are based and despite the potential deployment of substantial capital and other resources towards such efforts, which may, among other things, be adversely impacted by the risks and contingencies outlined elsewhere in this report, and our ability to continue to effectively navigate challenges posed by the complex industries we serve including the potential for rapid and unpredictable technological change, regulatory burdens and an intense competitive environment. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

Non-GAAP Financial Measure - EBITDA

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

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

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

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

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

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

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

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

C. Describe the issuers' principal products or services.

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

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

Revenue Model

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

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

5) Issuer's Facilities

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

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

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

6) All Officers, Directors, and Control Persons

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

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

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

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

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

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

7) Legal/Disciplinary History

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

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

No

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

No

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

No

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

No

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

No

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

No

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

None.

8) Third Party Providers

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

Securities Counsel (must include Counsel preparing Attorney Letters).

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

Accountant or Auditor

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

Investor Relations Consultant – N/A

All other means of Investor Communication:

X (Twitter): None
Discord: None
LinkedIn: None
Facebook: None
Other: None

Other Service Providers - N/A

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

9) Disclosure & Financial Information

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

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

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

☒ U.S. GAAP
☐ IFRS

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

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

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

Provide the following qualifying financial statements:

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

10) Issuer Certification

Principal Executive Officer:

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

The certifications shall follow the format below:

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending December 31, 2023;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/31/2023

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

/s/ Nikhil Raman

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

Principal Financial Officer:

I, Nikhil Raman certify that:

1. I have reviewed this quarterly disclosure statement of PhoneX Holdings, Inc. for the period ending December 31, 2023;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

12/31/2023

/s/ Nikhil Raman

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

PHONEX HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2023 AND 2022

Index to Consolidated Financial Statements

| | <u>Page</u> |
|--|--------------------|
| Consolidated Balance Sheets at December 31, 2023 (unaudited) and December 31, 2022 | 2 |
| Consolidated Statements of Operations for the years ended December 31, 2023 (unaudited), and 2022 | 3 |
| Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2023 (unaudited), and 2022 | 4 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2023 (unaudited), and 2022 | 5 |
| Notes to Consolidated Financial Statements | 6 |

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

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

See accompanying notes to the condensed consolidated financial statements.

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

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

See accompanying notes to the condensed consolidated financial statements.

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

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

See accompanying notes to condensed consolidated financial statements.

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

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

See accompanying notes to the condensed consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and Business

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

Liquidity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable represent obligations from the Company’s customers and are recorded net of allowances for cash discounts, doubtful accounts, and sales returns. The Company’s policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are written off after all means of collection have

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts was \$64,595 and \$2,892 at December 31, 2023 and December 31, 2022, respectively.

Inventory, net

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

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

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

Property and Equipment

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

Intangible Assets

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

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

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

Leases

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

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

The Company elected the package of three practical expedients. As such, the Company did not reassess whether expired or existing

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

Capitalized Technology Costs

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

Convertible Instruments

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

- a) The economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract,
- b) The hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur, and
- c) A separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to certain requirements (except for when the host instrument is deemed to be conventional).

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

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

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

Common Stock Purchase Warrants and Derivative Financial Instruments

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

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

Revenue Recognition

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

Principal Device Revenue

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

Software Licensing Revenue

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

Deferred Revenue

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

Shipping and Handling Costs

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

Advertising

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

Share-Based Payment Arrangements

The Company accounts for stock options in accordance with ASC 718, “Compensation - Stock Compensation.” ASC 718 requires generally that all equity awards be accounted for at their “fair value.” This fair value is measured on the grant date for stock-settled awards,

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

and at subsequent exercise or settlement for cash-settled awards. Fair value is equal to the underlying value of the stock for “full-value” awards such as restricted stock and performance shares and is estimated using an option-pricing model with traditional inputs for “appreciation” awards such as stock options and stock appreciation rights.

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

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

Income Taxes

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

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Concentration of Credit Risk

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

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

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

Deferred Rent

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

New accounting pronouncements

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

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

Note 3 - Property and Equipment

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note 4 – Intangible Assets, Net

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

| | Life, in years | December 31, | |
|--------------------------------|---------------------------|---------------------|--------------------|
| | | 2023 | 2022 |
| Trade Name | 7 | \$ 2,622,000 | \$ 2,622,000 |
| | | <u>2,622,000</u> | <u>2,622,000</u> |
| Less: Accumulated amortization | | <u>(2,622,000)</u> | <u>(2,622,000)</u> |
| Intangible assets, net | | <u>\$ 0</u> | <u>\$ 0</u> |

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

There is no future estimated amortization expense.

Note 5 – Capitalized Technology, Net

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

| | December 31, | |
|--------------------------|---------------------|--------------------|
| | 2023 | 2022 |
| Gross value | \$ 2,268,502 | \$ 2,268,502 |
| Accumulated amortization | <u>(2,268,502)</u> | <u>(2,268,502)</u> |
| Net value | <u>\$ 0</u> | <u>\$ 0</u> |

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

There is no future estimated amortization expense.

Note 6 – Capital Lease Obligations

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

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

Note 7 - Commitments and Contingencies

Legal Proceedings

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Operating Leases

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

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

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

Other Information

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Undiscounted Cash Flows

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

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

Note 8 - Stock-Based Compensation

Stock Option Grants

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

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

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

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

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

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

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

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

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

Restricted Stock Awards and Restricted Stock Units

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

| | Number of Shares |
|---|-----------------------------|
| Unvested Outstanding at December 31, 2022 | 0 |
| Granted | -- |
| Forfeited | — |
| Vested | 0 |
| Unvested Outstanding at December 31, 2023 | <u>0</u> |

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Stock Awards

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

Note 9 - Income Taxes

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

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

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

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

Note 10 – Customer and Vendor Concentrations

Customer Concentration

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

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

Vendor Concentration

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

Note 11 – Stock Purchase

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

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

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

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

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

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

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

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

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 12 – Subsequent Events

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

ANNEX B - PRO FORMA FINANCIAL INFORMATION

[See attached]

SELECTED HISTORICAL FINANCIAL DATA OF PHONEX HOLDINGS, INC.

The following tables present PhoneX Holdings, Inc. (“PhoneX”)’s selected historical financial information derived from PhoneX’s unaudited financial statements annexed to the accompanying proxy statement to which these pro forma financial statements are also annexed (the “Proxy Statement”) for the nine months ended September 30, 2024.

The financial data set forth below should be read in conjunction with, and is qualified by reference to, PhoneX’s “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and notes thereto annexed to the Proxy Statement. Certain capitalized words and phrases have the meaning given them in the Proxy Statement. PhoneX’s financial statements are prepared and presented in accordance with U.S. GAAP.

| | Nine Months Ended September 30, 2024 |
|--|---|
| Income Statement Data: | |
| Income from operations | \$ 2,786,810 |
| Net income | \$ 2,336,899 |
| Basic and diluted shares | 35,780,259 |
| Basic and diluted net income per share | \$ 0.07 |

| | September 30, 2024 |
|----------------------------|-------------------------------|
| Balance Sheet Data: | |
| Total assets | \$ 25,944,255 |
| Total liabilities | \$ 3,038,203 |
| Total stockholders’ equity | \$ 22,906,052 |

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the sale of the membership interests occurred on the dates indicated. The unaudited pro forma condensed combined financial statements also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only.

The historical financial statements of PhoneX have been prepared in accordance with U.S. GAAP and in its functional and presentation currency of the United States dollar ("USD").

The unaudited pro forma condensed combined financial information has been prepared using the assumptions below:

- **Scenario 1:** This presentation assumes that the Company sells 79.5% of the outstanding membership interests of We Sell Cellular LLC for \$47,700,000.
- **Scenario 2:** This presentation assumes that the Company sells 100% of the outstanding membership interests of We Sell Cellular LLC for \$60,000,000.

The following table sets out summary data derived from the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statement of operations. The summary unaudited pro forma condensed combined balance sheet as of September 30, 2024, gives effect to the Transaction as if it had occurred on September 30, 2024. The summary unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024, gives effect to the Transaction as if it had occurred on January 1, 2024.

| | Pro Forma Combined | |
|---|---------------------------|-------------------|
| | Scenario 1 | Scenario 2 |
| Summary Unaudited Pro Forma Condensed Combined Statement of Operations Data for the Nine Months Ended September 30, 2024 | | |
| Net income | \$ 27,551,848 | \$ 35,091,619 |
| Net income per share – basic | \$ 0.77 | \$ 0.98 |
| Weighted average shares outstanding – basic | 35,780,259 | 35,780,259 |
| Net income per share – diluted | \$ 0.76 | \$ 0.97 |
| Weighted average shares outstanding – diluted | 36,342,509 | 36,342,509 |
| Summary Unaudited Pro Forma Condensed Combined Balance Sheet Data as of September 30, 2024 | | |
| Total assets | \$ 61,238,781 | \$ 71,029,462 |
| Total liabilities | \$ 9,093,134 | \$ 11,344,044 |
| Total equity | \$ 52,145,647 | \$ 59,685,418 |

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

The following unaudited pro forma condensed combined financial information presents the financial information of PhoneX, adjusted to give effect to the Transaction.

The following unaudited pro forma condensed combined balance sheet as of September 30, 2024, presents the historical unaudited balance sheet of PhoneX as of September 30, 2024, giving pro forma effect to the Transaction as if it had occurred as of September 30, 2024.

The following unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024, presents the historical unaudited statement of operations of PhoneX for the nine months ended September 30, 2024, on a pro forma basis as if the Transaction had occurred on January 1, 2024.

The unaudited pro forma condensed combined balance sheet as of September 30, 2024, has been derived from:

- the historical unaudited financial statements of PhoneX as of September 30, 2024, and the related notes thereto annexed to the Proxy Statement;

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024, has been derived from:

- the historical unaudited financial statements of PhoneX for the nine months ended September 30, 2024, and the related notes thereto annexed to the Proxy Statement;

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as in effect on the date of the Proxy Statement which incorporates Transaction Accounting Adjustments. PhoneX has elected not to present any estimates related to potential synergies and other transaction effects that are reasonably expected to occur or have already occurred and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma condensed combined financial information.

This information should be read together with the financial statements and related notes, as applicable, of PhoneX annexed to the Proxy Statement and the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information annexed to the Proxy Statement.

Description of the Transaction

For a description of the transaction and certain agreements executed in connection therewith, see the Proxy Statement.

Accounting for the Transaction

The transaction will be accounted for as an asset sale, in accordance with U.S. GAAP.

Basis of Pro Forma Presentation

PhoneX has elected to provide the unaudited pro forma condensed combined financial information under two different scenarios as more fully described below:

- **Scenario 1:** This presentation assumes that the Company sells 79.5% of the outstanding membership interests of We Sell Cellular LLC for \$47,700,000.
- **Scenario 2:** This presentation assumes that the Company sells 100% of the outstanding membership interests of We Sell Cellular LLC for \$60,000,000.

The following unaudited pro forma condensed combined balance sheet as of September 30, 2024, and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024, are based on the historical financial statements of PhoneX. The unaudited pro forma adjustments are based on information currently available, assumptions, and estimates underlying the pro forma adjustments and are described in the accompanying notes. Actual results may differ materially from the assumptions used to present the accompanying unaudited pro forma condensed combined financial statements.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2024⁽¹⁾**

| | | Scenario 1 | | | Scenario 2 | | |
|---|--------------------------------------|------------------------------------|---|----------------------|------------------------------------|---|----------------------|
| | PhoneX and Subsidiaries (Historical) | Transaction Accounting Adjustments | | Pro Forma Combined | Transaction Accounting Adjustments | | Pro Forma Combined |
| ASSETS | | | | | | | |
| Current assets | | | | | | | |
| Cash | \$ 14,762,121 | \$ 40,404,749 | A | \$ 55,166,870 | \$ 12,669,000 | A | \$ 67,835,870 |
| Accounts receivable, net | 3,882,480 | (3,081,952) | A | 800,528 | - | | 800,528 |
| Inventory | 3,973,203 | (3,973,203) | A | - | - | | - |
| Prepaid expenses | 201,712 | (105,403) | A | 96,309 | - | | 96,309 |
| Total current assets | 22,819,516 | 33,244,191 | | 56,063,707 | 12,669,000 | | 68,732,707 |
| Non-current assets | | | | | | | |
| Property and equipment, net | 260,331 | (255,351) | A | 4,980 | - | | 4,980 |
| Deferred tax asset | 2,286,000 | - | | 2,286,000 | - | | 2,286,000 |
| Other assets | 40,775 | (35,000) | A | 5,775 | - | | 5,775 |
| Operating lease right-of-use asset | 537,633 | (537,633) | A | - | - | | - |
| Investment in affiliate | | 2,067,876 | A | 2,067,876 | (2,067,876) | A | - |
| | | 810,443 | C | 810,443 | (810,443) | C | - |
| Total non-current assets | 3,124,739 | 2,050,335 | | 5,175,074 | (2,878,319) | | 2,296,755 |
| Total assets | \$ 25,944,255 | \$ 35,294,526 | | \$ 61,238,781 | \$ 9,790,681 | | \$ 71,029,462 |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Accrued expenses | \$ 892,728 | \$ (770,820) | A | \$ 121,908 | \$ - | | \$ 121,908 |
| Accounts payable | 556,422 | (356,096) | A | 200,326 | - | | 200,326 |
| Deferred revenue | 1,026,538 | (984,777) | A | 41,761 | - | | 41,761 |
| Operating lease liability, current portion | 275,116 | (275,116) | A | - | - | | - |
| Income tax payable | - | 8,729,139 | B | 8,729,139 | 2,250,910 | B | 10,980,049 |
| Total current liabilities | 2,750,804 | 6,342,330 | | 9,093,134 | 2,250,910 | | 11,344,044 |
| Non-current liabilities | | | | | | | |
| Operating lease liability, net of current portion | 287,399 | (287,399) | A | - | - | | - |
| | - | - | | - | - | | - |
| Total non-current liabilities | 287,399 | (287,399) | | - | - | | - |
| Total liabilities | 3,038,203 | 6,054,931 | | 9,093,134 | 2,250,910 | | 11,344,044 |
| EQUITY | | | | | | | |
| Common stock | 3,572 | | | 3,572 | | | 3,572 |
| Treasury stock | (7) | | | (7) | | | (7) |
| Additional paid-in capital | 72,417,422 | | | 72,417,422 | | | 72,417,422 |
| Accumulated deficit | (49,514,935) | 35,727,291 | A | (20,275,340) | 10,232,124 | A | (12,735,569) |
| | | (8,729,139) | B | | (2,250,910) | B | |
| | | 810,443 | C | - | (810,443) | C | - |
| | | 1,431,000 | D | | 369,000 | D | |
| Total equity | 22,906,052 | 29,239,595 | | 52,145,647 | 7,539,771 | | 59,685,418 |
| Total equity and liabilities | \$ 25,944,255 | \$ 35,294,526 | | \$ 61,238,781 | \$ 9,790,681 | | \$ 71,029,462 |

(1) The unaudited pro forma condensed combined balance sheet as of September 30, 2024, presents the historical unaudited consolidated balance sheet of PhoneX as of September 30, 2024.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024⁽¹⁾**

| | | Scenario 1 | | Scenario 2 | |
|--|--|--|-----------------------|--|-----------------------|
| | PhoneX and Subsidiaries (Historical) | Transaction Accounting Adjustments | Pro Forma Combined | Transaction Accounting Adjustments | Pro Forma Combined |
| Revenue | \$ 128,875,939 | \$ (125,334,016) CC | \$ 3,541,923 | \$ - | \$ 3,541,923 |
| Cost of revenue | (119,287,463) | 118,026,370 CC | (1,261,093) | - | (1,261,093) |
| Gross profit | 9,588,476 | (7,307,646) | 2,280,830 | - | 2,280,830 |
| Operating expenses | | | | | |
| Sales and marketing | (930,172) | 854,957 CC | (75,215) | | (75,215) |
| General and administrative expenses | (5,871,494) | 2,493,536 CC | (3,377,958) | | (3,377,958) |
| Total operating expenses | (6,801,666) | 3,348,493 | (3,453,173) | - | (3,453,173) |
| Income (loss) from operations | 2,786,810 | (3,959,153) | (1,172,343) | - | (1,172,343) |
| Other, net | | | | | |
| Gain on sale of asset | - | 35,727,291 AA | 35,727,291 | 10,232,124 AA | 45,959,415 |
| Interest income | 166,089 | (65,493) CC | 1,531,596 | 369,000 | 1,900,596 |
| | | 1,431,000 DD | | | |
| Total other income (expenses) | 166,089 | 37,092,798 | 37,258,887 | 10,601,124 | 47,860,011 |
| Income (loss) before income tax expense | 2,952,899 | 33,133,645 | 36,086,544 | 10,601,124 | 46,687,668 |
| Income tax benefit (expense) | (616,000) | (8,729,139) BB | (9,345,139) | (2,250,910) BB | (11,596,049) |
| Net income before equity earnings in affiliate | \$ 2,336,899 | \$ 24,404,506 | \$ 26,741,405 | \$ 8,350,214 | \$ 35,091,619 |
| Equity in net earnings of affiliate | - | 810,443 CC | 810,443 | (810,443) CC | - |
| Net income | \$ 2,336,899 | \$ 25,214,949 | \$ 27,551,848 | \$ 7,539,771 | \$ 35,091,619 |
| Weighted average number of common shares outstanding during the period - basic | 35,780,259 | | 35,780,259 | | 35,780,259 |
| Weighted average number of common shares outstanding during the period - diluted | 36,342,509 | | 36,342,509 | | 36,342,509 |
| Net income per common share - basic | \$ 0.07 | | \$ 0.77 (2) | | \$ 0.98 (2) |
| Net income per common share - diluted | \$ 0.07 | | \$ 0.76 (2) | | \$ 0.97 (2) |

- (1) The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024, presents the historical unaudited consolidated statement of operations of PhoneX for the nine months ended September 30, 2024.
- (2) Please refer to Note 6 — “Net Loss per Share” for details.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1 — Description of the Proposed Transactions

For a description of the sale of the membership interests and certain agreements executed in connection therewith, see the Proxy Statement.

Note 2 — Basis of Presentation and Accounting Policies

The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the transaction occurred during the period covered by the unaudited pro forma condensed combined financial statements. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies always been separate or the future results that PhoneX will experience.

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified Transaction Accounting Adjustments and presents the Management’s Adjustments. PhoneX has elected not to present Management’s Adjustments and will only be presenting Transaction Accounting Adjustments in the following unaudited pro forma condensed combined financial information.

The historical financial statements of PhoneX have been prepared in accordance with U.S. GAAP. The unaudited pro forma condensed combined financial information reflects U.S. GAAP, the basis of accounting used by PhoneX.

PhoneX has elected to provide the unaudited pro forma condensed combined financial information under two different scenarios as more fully described below:

- **Scenario 1:** This presentation assumes that the Company sells 79.5% of the outstanding membership interests of We Sell Cellular LLC for \$47,700,000.
- **Scenario 2:** This presentation assumes that the Company sells 100% of the outstanding membership interests of We Sell Cellular LLC for \$60,000,000.

Note 3 — Accounting for the Transaction

The transaction will be accounted for as an asset sale in accordance with U.S. GAAP.

Note 4 — Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2024

The pro forma adjustments to the unaudited pro forma condensed combined balance sheet as of September 30, 2024, are as follows:

- A. Reflects the sale of the membership interests in We Sell Cellular LLC. In Scenario 1, 79.5% of the membership interests are sold for \$47.7 million. In Scenario 2, 100% of the membership interest are sold for \$60.0 million.
- B. Reflects the tax liability incurred on the gain on the sale of the membership interests of We Sell Cellular, Inc.
- C. Reflects the impact of earnings of We Sell Cellular, Inc. from January 1, 2024, through September 30, 2024, on investment in affiliate.
- D. Reflects the impact of interest income that would have been earned from January 1, 2024, through September 30, 2024, based on the cash to be received from the sale of the membership interests of We Sell Cellular, Inc.

Note 5 — Adjustments and Reclassifications to Unaudited Pro Forma Condensed Combined Statement of Operations for the Nine Months Ended September 30, 2024

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for nine months ended September 30, 2024, are as follows:

- AA. Reflects the gain on the sale of the membership interests of We Sell Cellular, LLC.
- BB. Reflects the estimated income tax expense on the gain on the sale of the membership interests of We Sell Cellular, LLC.
- CC. Reflects the elimination of the revenue and expenses and the recognition of the equity in net earnings of affiliate upon the sale of the membership interests of We Sell Cellular, LLC.
- DD. Reflects the impact of interest income that would have been earned from January 1, 2024, through September 30, 2024, based on the cash to be received from the sale of the membership interests of We Sell Cellular, LLC.

Note 6 — Net Loss per Share

Represents the loss per share calculated using the historical weighted average shares outstanding.

| | Nine Months Ended September 30, 2024 | |
|---|---|---------------|
| | Scenario 1 | Scenario 2 |
| Pro forma net income | \$ 27,551,848 | \$ 35,091,619 |
| Weighted average shares outstanding of common stock – basic | 35,780,259 | 35,780,259 |
| Net income per share – basic | \$ 0.77 | \$ 0.98 |
| Weighted average shares outstanding of common stock – diluted | 36,342,509 | 36,342,509 |
| Net income per share – diluted | \$ 0.76 | \$ 0.97 |

PROXY CARD

[See attached]

PHONEX HOLDINGS, INC.
150 Executive Drive
Suite Q
Edgewood, NY 11717

VOTE BY INTERNET - www.Phonex.vote
Before The Meeting – Go to www.Phonex.vote

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 7:00 p.m. Eastern Time on 03/23/2025. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

DURING THE MEETING– Dial 1-877-407-3088.

You may attend the meeting exclusively via audio conference call. Have the information that is printed in the box marked by the arrow available and follow instructions.

VOTE BY EMAIL

Mark, date, sign and email the proxy card to proxy@equitystock.com
Attention: Shareholder Services.

VOTE BY FAX

Mark, date, sign and fax the enclosed proxy card to 347-584-3644,
Attention: Shareholder Services

VOTE BY MAIL

Mark, sign and date your proxy card and return it to 237 W. 37th Street,
Suite 602, New York, New York 10018, Attention: Shareholder Services.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: _____ KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

PHONEX HOLDINGS, INC.

The Board of Directors recommends you vote “FOR” the Proposal.

| | For | Against | Abstain |
|--|------------|----------------|----------------|
| 1. Approve the Transaction entailing the sale of 79.5% of the membership interests, and 100% of the membership interests if the Call Option is exercised, of We Sell Cellular LLC, the Company’s wholly-owned subsidiary, as described in the Proxy Statement for the Special Meeting. | [] | [] | [] |

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

| | | | |
|---|---------------|-----------------------------------|---------------|
| _____ Signature [PLEASE SIGN WITHIN BOX] | _____ Date | _____ Signature (Joint Owners) | _____ Date |
|---|---------------|-----------------------------------|---------------|

Notice Regarding the Availability of Proxy Statement for the Special Meeting:

The Proxy Statement is also available online at www.Phonex.vote

PHONEX HOLDINGS, INC.
Special Meeting of Shareholders
March 24, 2025 11:00 a.m., Eastern Time
This proxy is solicited on behalf of the Board of Directors

The shareholder(s) hereby appoint(s) Nikhil Raman, as proxy, with the power to appoint his substitute, and hereby authorize(s) him to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of PHONEX HOLDINGS, INC. that the shareholder(s) is/are entitled to vote at the Special Meeting of Shareholders to be held at 11:00 a.m., Eastern Time on March 24, 2025, virtually via audio conference call at 1-877-407-3088, and any adjournment or postponement thereof. No in person meeting will be held.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side