usell.com, Inc.
Form S-1
September 21, 2012

As filed with the Securities and Exchange Commission on September 20, 2012

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

USELL.COM, INC.

(Exact name of registrant as specified in its charter)

Delaware	7389	98-0412432
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

245 North Ocean Blvd., Suite 306

Deerfield Beach, Florida 33441

(954) 915-1550

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Daniel Brauser

245 North Ocean Blvd., Suite 306

Deerfield Beach, Florida 33441

(954) 915-1550

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered (1)**	**Proposed Maximum Offering Price Per Share (2)**	**Proposed Maximum Aggregate Offering Price (2)**	Amount of Registration Fee
Common stock, $0.0001 par value per share	35,000,000	$ 0.20	$ 7,000,000	$ 802.20

(1) Under Rule 416 of the Securities Act of 1933, the shares being registered include such indeterminate number of shares of common stock as may be issuable with respect to the shares being registered in this registration statement as a result of any stock splits, stock dividends.

(2) The proposed maximum offering price per share and the proposed maximum aggregate offering price have been estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rules 457(c) under the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or date(s) as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission of which this prospectus is a part becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated September 20, 2012

USELL.COM, INC.

PROSPECTUS

35,000,000 Shares of Common Stock

This prospectus relates to the sale of up to 35,000,000 shares of usell.com, Inc. common stock being offered by usell directly to investors on a "best efforts" self-underwritten basis at a price of $0.___ per share. There is no minimum amount that is required to be sold in this primary offering. The offering of these shares will terminate on no later than ___________ ___, 20__ (90 days from the date of this prospectus). No commissions or fees will be paid in connection with the sale of such shares.

Our common stock trades on the Over-the-Counter Bulletin Board under the symbol "USEL". As of the last trading day before the date of this prospectus, the closing price of our common stock was $0.20 per share.

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

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

The date of this prospectus is ________________, 2012

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

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully including the section entitled "Risk Factors" before making an investment decision. usell.com, Inc. is referred to throughout this prospectus as "usell," "we," "our" or "us." **Except for our audited financial statements, all numbers of shares of our common stock and common stock equivalents have been adjusted to give effect to a one-for-52.4846 reverse stock split effective June 8, 2012.**

Our Company

usell.com, Inc., formerly known as Upstream Worldwide, Inc., is a technology based company focused on creating an online marketplace where individuals, which we refer to as consumers, interested in selling small consumer electronics that they are no longer using can:

- Research the current market value for their items, based on the make, model and condition of each item,
- Efficiently find and compare offers for those items from top-rated buyers,
- Review satisfaction ratings and customer reviews of each buyer,
- Determine the offer they wish to accept, and
- Immediately complete their transaction on our website directly with the buyer of their choice.

Our business model is similar to successful ecommerce websites, such as KAYAK (www.kayak.com) in the travel industry, Bankrate (www.bankrate.com) in the finance industry, and Insurance.com (www.insurance.com) in the insurance industry. Rather than offer the product or service directly to the consumer, these companies all serve consumers seeking to complete a transaction by providing them with an easy way to (i) find information to help them make an informed decision, (ii) compare offers from various companies that offer the respective product or service, and (iii) help them easily complete their transaction. Our services are free for consumers.

We utilize consumer oriented advertising efforts, such as direct response television commercials and various forms of Internet advertising, to attract consumers to our website. Effective consumer oriented advertising requires significant expertise and up-front capital to efficiently create, produce, edit and air the advertising campaigns. Ineffective advertisements can result in significant costs that do not generate revenue sufficient to cover costs.

We partner with electronics buying companies and provide them with a low risk, cost-efficient customer acquisition model. Through participation in the uSell marketplace, our partners can benefit from the high volume response rates to our national television advertising and broad-based Internet advertising campaigns, while minimizing the investment and risk associated with creating and running their own branded advertising campaign. When consumers enter the information about the device they intend to sell on our website, they are presented with offers from our partners that are interested in buying that item. A partner pays us only when a consumer accepts an offer on our website and provides us with the consumer's name and address. We believe that this model provides our partners with a competitive customer acquisition cost which, in turn, allows them to offer higher prices to consumers.

Corporate Information

Our corporate headquarters are located at 245 North Ocean Blvd., Suite 306, Deerfield Beach, Florida 33441 and our phone number is (954) 915-1550. Our website can be found at www.usell.com. The information on our website is not incorporated in this prospectus.

THE OFFERING

Common stock outstanding prior to the offering:	42,238,056 shares
Common stock offered by usell.com:	35,000,000 shares
Common stock outstanding immediately following the offering:	77,568,056 shares (1)
Use of proceeds:	We intend to use the net proceeds of this offering for marketing, improving our platform technology, working capital and general corporate purposes. See “Use of Proceeds” on page 16.
Risk Factors:	See “Risk Factors” beginning on page 5 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Stock Symbol:	OTCBB: USEL

(1) Includes approximately 330,000 shares of common stock underlying Series A preferred stock which will no longer be subject to a 9.99% conversion blocker.

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

- a total of 6,309,147 shares of common stock issuable upon the exercise of outstanding stock options;
- a total of 227,844 shares of common stock reserved for future issuance under our 2008 Equity Incentive Plan, which we refer to as the “Plan”;
- a total of 8,305,529 shares of common stock issuable upon the exercise of warrants; and
- a total of 2,406,658 shares of common stock issuable upon the conversion Series B preferred stock.

SUMMARY FINANCIAL DATA

The following summary of our financial data should be read in conjunction with, and is qualified in its entirety by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, appearing elsewhere in this prospectus. The data for the years ended December 31, 2011 and December 31, 2010 has been taken from our audited financial statements.

Statements of Operations Data

	Three Months Ended June 30, 2012 (Unaudited)	Three Months Ended June 30, 2011 (Unaudited)	Six Months Ended June 30, 2012 (Unaudited)	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2011 (Audited) (1)	**Year Ended December 31, 2010 (Audited) (1)**
Revenue	$591,432	$1,789,048	$836,039	$5,510,759	$5,876,660	$32,547,898
Gross profit	$543,840	$911,111	$757,123	$2,756,008	$2,608,016	$21,021,684
Net loss	$(5,690,610)	$(956,715)	$(6,805,410)	$(2,656,576)	$(4,378,200)	$(16,791,253)
Net loss per common share – basic and diluted	$(0.43)	$(0.23)	$(0.72)	$(0.66)	$(0.90)	$(4.46)
Weighted average common shares outstanding (basic and diluted)	13,149,571	4,246,002	9,469,919	4,137,050	4,847,263	3,766,619

(1) The net loss per common share (basic and diluted) and the weighted average common shares outstanding (basic and diluted) have been adjusted to reflect the 52.4846 for 1 reverse stock split.

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Balance Sheet Data

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Cash	$3,156,459	$1,791,623
Working capital (deficit)	$(1,478,100)	$(257,004)
Total assets	$4,605,656	$1,898,626
Total current liabilities	$5,476,822	$2,115,094
Accumulated deficit	$(38,478,682)	$(31,450,276)
Total stockholders' deficit	$(871,166)	$(216,468)

RISK FACTORS

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

Risks Relating to Our Business

Because we have a limited operating history to evaluate our company and are implementing a new business model, the likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delay frequently encountered by a new company.

In the third quarter in 2011, we began testing our platform which aggregates offers from our partners to customers who we attract to our website. While our results to date have been positive, we have not committed significant marketing resources and cannot predict the degree of our ultimate success. Since we have a limited operating history, we cannot assure you that our business will be profitable. Early stage companies often are unsuccessful and encounter unanticipated expenses and difficulties, investors should consider this risk in determining whether to purchase or sell our common stock.

If we need additional capital to fund our growing operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations.

We believe that our cash on hand and cash flow from operations, together with the proceeds from this offering, will be sufficient to meet our anticipated cash needs for the next 12 months. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities. Because of the ongoing financial issues in Europe, difficulties which microcap companies have in raising capital, the lack of available credit for companies like us and our stock price, we may be hampered in our ability to raise the necessary working capital. Even if we do find a source of additional capital, we may not be able to negotiate terms and conditions for receiving the additional capital that are acceptable to us. Any future capital investments will dilute or otherwise materially and adversely affect the holdings or rights of our existing shareholders. For example, the Series A Preferred Stock, which we refer to as “2011 Series A PS”, offering was extremely dilutive to common shareholders and any future financing may be equally or more dilutive. The investors in the 2011 Series A PS received certain price protection features as well. In the event that we sell securities in the future below a value of $0.20 per share, we will be required to issue additional shares of common stock to these investors, to the extent they are still holding the common stock derived from the shares purchased in the offering. In addition, new equity or debt securities issued by us to obtain financing could have rights, preferences and privileges senior to our common stock.

We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. If we require additional financing and such financing is not available on reasonable terms or at all, we may have to reduce our marketing efforts and we will have to modify our business plans accordingly.

We may be unable to maintain or establish relationships with partners, which would adversely affect our results of operations.

In July 2011, we focused our business on creating an online marketplace where consumers could sell their small electronics which was a new, unproven market for us. Our ability to attract sellers of small electronics to our website depends in large part on providing a sufficient number of partners (buyers) to make our online marketplace efficient and providing customers with the best available pricing and service. The loss of existing relationships with partners, or an inability to continue to add new ones, may cause our platform to provide limited pricing, availability and other information important to customer's visiting our website. This deficiency could reduce customer confidence in the offers provided by partners on our website, making customers less likely to sell to our partners and come back to our website, which would limit the revenues we are able to generate from our platform. In turn, this will adversely affect our business.

Because we operate a platform or marketplace, we do not purchase devices directly from consumers. We rely on our partners to provide offers to our consumers and to complete the transactions with the consumers.

If our partners limit the number of devices on which they provide offers, consumers may not receive offers on the devices they are trying to sell. In addition, we rely on our partners' ability to service all of the consumers visiting our website. As we grow our marketing campaigns, we expect the volume of transactions to increase. If consumers do not receive offers to buy their devices, or if our partners are unable to service the increased volume, they may be forced to go elsewhere to sell their devices, or abandon the transaction altogether.

If any of our partners provide poor customer service to our customers, it could hurt the usell brand and adversely affect our business.

We believe the importance of customer service in order to generate business and repeat customers is paramount to our ability to be successful. If any of our partners provides poor customer service including delayed and/or reduced payments, or poor website performance, we may lose customers. In particular, customers may think their electronics are in better condition than they are or may not know the exact model, which could result in our partners paying customers less than the customer anticipated. Although we provide customers with the ability to rate our partners after they have completed their transaction, there is no assurance that this rating system provides an accurate depiction of the service provided by our partners.

Because we cannot control key elements of our business, we may not be successful.

Although we are responsible for creating effective marketing campaigns and for providing a robust, secure and easy to use website for consumers, we have no ability to control our partners which are a key part of our business model. If our partners do not provide excellent service and prices which consumers perceive to be fair, it would affect the reputation of our business, as well as possibly helping our competitors.

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

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

Additionally, the majority of our partners are small electronic recycling companies which are not largely capitalized and do not have the infrastructure to adapt to our expected rapid growth. If our partners do not have the liquidity to pay all of the customers that come to our site, customers may not get paid in time which would hurt the usell brand. If any of our partners' websites were unable to handle all of the traffic that our platform referred to them, their website could crash which would also negatively affect the usell brand. All of these factors could adversely affect our ability to become profitable.

If we do not have sufficient capital to market our service, our revenue will be insufficient to support our operations.

We currently are not spending enough money to market our service in a manner which we expect will generate enough revenue to support our operations. However, we plan to increase our spending through the course of 2012. If these efforts do not generate the revenue level we anticipate, or if we lack sufficient capital, our revenue will be insufficient to support our operations.

Our future growth and profitability will depend in large part upon the effectiveness of our marketing and advertising expenditures.

Our future growth and profitability will depend in large part upon our media performance, including our ability to:

- create greater awareness of our platform;
- identify the most effective and efficient level of spending in each market and specific media channel;
- determine the appropriate creative message and media mix for advertising, marketing and promotional expenditures; and
- effectively manage marketing costs (including creative and media).

Our planned marketing expenditures may not result in increased revenue. If our media performance is not effective, our future results of operations and financial condition will be adversely affected.

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

Our future depends, in part, on our ability to attract and retain key personnel and the continued contributions of our executive officers, each of whom may be difficult to replace. In particular, Daniel Brauser, our Chief Executive Officer, Sergio Zyman, our Executive Chairman, Nik Raman, our Chief Operating Officer, Michael Brachfeld, our Chief Financial Officer, and Christian Croft, our Vice President of Product Development and User Experience are important to the management of our business and operations and the development of our strategic direction. The loss of the services of any of these officers and the process to replace any key personnel would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

Our business could be negatively affected by changes in general search engine algorithms and dynamics or termination of traffic-generating arrangements.

We use Internet search engines, principally through the purchase of branded and smart phone related keywords, to generate traffic to our websites. Search engines, such as Google, frequently update and change the logic which determines the placement and ordering of results of a user's search, which may reduce the effectiveness of the keywords we have purchased. If a major search engine, such as Google, changes its algorithms in a manner that negatively affects the search engine ranking of our website, or changes its pricing, operating or competitive dynamics to our disadvantage, our business, results of operations and financial condition could be adversely affected.

Because we face intense competition for business, our future results of operations and our future financial condition may be adversely affected.

We compete with eBay and other online auction companies, Gazelle, a leading platform for selling used small electronics, and with many small websites including our partners. In addition, cellular service providers, such as AT&T, Verizon and Sprint, and large retail companies, such as Best Buy and Radio Shack, have introduced trade-in programs for used smartphone devices. Our smaller size, lack of established brand name, shorter operating history and limited working capital may limit our advertising levels, our ability to expand successfully into new markets or effectively compete against these other companies. If we are not able to compete effectively, our future business will be adversely affected and our future results of operations and financial condition will be adversely affected.

Because we rely on the continuing rapid pace of technological development in the cell phone and tablet industries, if innovation in these industries were to decrease, our future results of operation will be adversely affected.

We believe that one of the driving factors for the potential success of our platform is the continued improvements in the smartphone industry and tablet market. Because many consumers have in the past expressed a continual need to have the latest generation phones and iPads or other tablets, the opportunity for providing these consumers with an outlet to sell their used electronics is promising. However, we cannot guarantee that consumers will visit our website to sell their used electronics. If innovation in cell phone or tablet device technology were to level off, the purchase of new phones and tablets could be diminished reducing the need for an online marketplace for selling used electronics. In such event, our results of operations would suffer and we may not be able to continue operations.

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

We depend upon the use of sophisticated information technology including software. As our operations grow in both size and scope, we must continuously improve and upgrade our systems including our hardware and infrastructure to offer our customers enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving industry standards while continuing to improve the performance, features and reliability of our service in response to competitive service and product offerings and the changing demands of the marketplace. In particular, expanding our systems and infrastructure to meet any potential increases in business volume will require us to commit additional financial, operational and technical resources before those increases materialize, with no assurance that they actually will. Furthermore, our use of this technology could be challenged by claims that we have infringed upon the patents, copyrights or other intellectual property rights of others. See Risk Factor beginning at page 10.

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

Additionally, our business is heavily reliant on application program interfaces with our partners. If we experience information technology problems with one or more of our partners, it could adversely affect our business.

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

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

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

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

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

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

A party who is able to breach the security measures on our networks could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations. We may be required to expend significant capital and other resources to protect against such threats or to alleviate problems caused by breaches in security, which could have a material adverse effect on our financial performance and operating results.

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

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

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

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

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

A new tax treatment of companies engaged in Internet commerce could adversely affect the commercial use of our marketing services and our financial results.

Due to the global nature of the Internet, it is possible that governments might attempt to tax our activities. New or revised tax regulations may subject us to additional sales, income and other taxes. Recently there has been movement toward Congress permitting States and localities to impose sale taxes on online purchases principally due to the poor economy in the U.S., the impact of substantially lower prices on real estate or tax revenue and soaring state budget deficits. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and especially sales taxes would likely increase the cost of doing business online, and increase advertising and marketing costs over the Internet. Any of these events will increase our costs and adversely affect our business and results of operations.

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

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

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

- Require us to redesign our platform to avoid infringement.

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

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

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

Risks Related to Our Common Stock

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

Our common stock trades on the Bulletin Board which is not a liquid market. There is currently only a limited public market for our common stock. We cannot assure you that an active public market for our common stock will develop or be sustained in the future. If an active market for our common stock does not develop or is not sustained, the price may continue to decline.

Because we are subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin Board has been substantially less than $5.00 per share and therefore we are currently considered a "penny stock" according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

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

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

- Our failure to increase revenue in each succeeding quarter;
- Our failure to achieve and maintain profitability;
- Our failure to meet our revenue and earnings guidance;
- The loss of partners;
- The sale of a large amount of common stock by our shareholders;

- Our announcement of a pending or completed acquisition or our failure to complete a proposed acquisition;
- Adverse court ruling or regulatory action;
- Our failure to meet financial analysts' performance expectations;
- Changes in earnings estimates and recommendations by financial analysts;
- Changes in market valuations of similar companies;
- Short selling activities;
- Our announcement of any financing which is dilutive to our shareholders;
- Our announcement of a change in the direction of our business;
- Announcements by us, or our competitors, of significant contracts, acquisitions, commercial relationships;
- joint ventures or capital commitments; or
- Our failure to increase revenue in each succeeding quarter.

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

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

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree.

The net proceeds from this offering will be immediately available to our management to use at their discretion. We currently intend to use the net proceeds from this offering for marketing and advertising, improving our platform technology, general corporate purposes and working capital. See “Use of Proceeds.” You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us or our shareholders. The failure of our management to use such funds effectively could have a material adverse effect on our business, prospects, financial condition, and results of operation.

We are subject to a regulatory investigation and we may be subject to such proceedings in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we may receive inquiries from regulators regarding our compliance with laws and other matters. For example, in August 2011, the Florida Attorney General, which we refer to as the "AG", initiated an official investigation into whether or not we engaged in unfair trade practices in violation of its "Little FTC Act." The investigation is due to consumer complaints primarily with our former gold business, although some complaints related to our initial cell phone business. Because we generally relied on third parties to handle the products we sold, we are uncertain as to whether we have any potential liability. Under Florida law, the remedies include actual damages, civil penalties, and attorneys' fees. We cooperated fully and provided a comprehensive response to the AG demonstrating that we acted properly. However, we cannot assure you that the AG will agree. In such event, defending this or any other action would cause us to incur substantial expenses and divert our management's attention. If we are unsuccessful, we may have to change our policies or practices. Any such change or defense of a regulatory investigation or action could reduce our future revenues and increase our costs and adversely affect our future operating results.

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

FORWARD-LOOKING STATEMENTS

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

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

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

DILUTION

The net tangible book value of our common stock on June 30, 2012 was approximately $(875,055), or approximately $(0.024) per share, based on 36,233,608 shares of our common stock outstanding as of June 30, 2012. Net tangible book value per share represents the amount of our total tangible assets, less our total liabilities, divided by the total number of shares of our common stock outstanding. Dilution in net tangible book value per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards.

After giving effect to the sale of 35,000,000 shares of our common stock in this offering at the public offering price of $[_____] per share, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of June 30, 2012 would have been approximately $[___________], or $[______] per share. This represents an immediate increase in net tangible book value of $[_______] per share to existing shareholder and immediate dilution in net tangible book value of $[_____] per share to new investors purchasing our common stock in this offering at the public offering price.

The following table illustrates this per share dilution:

Public offering price per share		$
Net tangible book value per share as of June 30, 2012	$(0.024)	
Increase in net tangible book value per share attributable to this offering	$	
Pro forma net tangible book value per share as of June 30, 2012, after giving effect to this offering		$
Dilution per share to new investors in this offering		$

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The foregoing illustration does not reflect potential dilution from the conversion of our outstanding convertible preferred stock or the exercise of outstanding stock options or warrants.

The following table provides, as of June 30, 2012, with respect to existing shareholders and new investors, a comparison of the number of shares acquired, their percentage ownership of such shares, the total consideration paid, the percentage of total consideration paid and the average price per share:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders	36,233,608	%	$ 28,247,284	%	$ 0.78
New investors					
Total		100 %	$	100 %	$

The above table excludes:

- 6,309,147 shares of common stock issuable upon the exercise of options as of June 30, 2012 with a weighted-average exercise price of approximately $0.95 per share;
- 8,305,529 shares of common stock issuable upon the exercise of warrants with an average exercise price of $0.42 per share;
- 2,671,133 shares of common stock issuable upon the conversion of Series B preferred stock as of June 30, 2012; and
- 227,844 shares of our common stock reserved for future issuance under the Plan.

To the extent that any of these securities are exercised or converted, there will be further dilution to new investors.

USE OF PROCEEDS

We estimate that we will receive net proceeds of $______ from the sale of all 35,000,000 shares of common stock being offered at an assumed public offering price of $_____ per share after deducting estimated expenses of approximately $_____ , which includes legal, accounting, printing costs and various fees associated with the registration of our shares. We intend to use the net proceeds of the offering as follows:

	Application of Net Proceeds	Percentage of Net Proceeds	
Marketing			%
Improvement in platform technology			%
Working capital and general corporate purposes			%
Total	$	100.00	%

The allocation of the net proceeds of this offering set forth above represents our best estimates based upon our current plans and assumptions regarding industry and general economic conditions and our future revenues and expenditures. If any of these factors change, it may be necessary or advisable for us to reallocate some of the proceeds within the above-described categories or to use portions for other purposes. If less than 35,000,000 shares are sold, we anticipate the percentages above will remain applicable to the lesser dollar amounts raised. However, our management team will have discretion on allocating the proceeds amongst the categories above.

Pending use of the proceeds of this offering, we will invest the net proceeds of this offering in short-term, investment grade, interest-bearing instruments. We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures through at least 12 months following the closing of this offering.

The allocation of the net proceeds of this offering set forth above represents our best estimates based upon our current plans and assumptions regarding industry and general economic conditions and our future revenues and expenditures. If any of these factors change, it may be necessary or advisable for us to reallocate some of the proceeds within the above-described categories or to use portions for other purposes. Investors will be relying on the judgment of our management regarding application of the net proceeds of this offering.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012 on an actual basis and on an as-adjusted basis after giving effect to the completion of this offering with a sale by us of all 35,000,000 shares of common stock and net proceeds of $[______________].

This table should be read in conjunction with our audited and unaudited financial statements.

	June 30, 2012	
	Actual	**As Adjusted**
Cash	$3,156,459	$
Common stock, ($0.0001 par value, 650,000,000 shares authorized, 36,233,608 shares issued and outstanding)	3,624	
Convertible Series A preferred stock, ($0.0001 par value, 10,000,000 shares authorized, 1,650,000 shares issued and outstanding)	165	
Convertible Series B preferred stock, ($0.0001 value per share, 4,000,000 shares authorized, 2,626,250 shares issued and outstanding) Liquidation preference $2,626,250	263	
Convertible Series C preferred stock, ($0.0001 value per share, 1,000,000 shares authorized, 14,797 shares issued and outstanding)	1	
Series D preferred stock, ($0.0001 value per share, 350,000 shares authorized, issued and outstanding)	35	
Additional paid-in capital	37,603,428	
Accumulated deficit	(38,478,682)	
Total shareholders' deficit	(871,166)	
Total capitalization	$(871,166)	$

MARKET FOR COMMON STOCK

Our common stock is quoted on the Bulletin Board under the symbol "USEL". As of the date prior to the date of this prospectus, the last reported sale price of our common stock as reported by the Bulletin Board was $0.20. As of that date, there were approximately 125 shareholders of record. This number does not include beneficial owners whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

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

Year	Quarter Ended	Stock Price High ($)	Stock Price Low ($)
2012	June 30	2.62	0.24
	March 31	1.47	0.26
2011	March 31	2.73	0.94
	June 30	1.57	0.58
	September 30	1.20	0.525
	December 31	0.89	0.157
2010	March 31	20.99	8.99
	June 30	10.49	3.67

Dividend Policy

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

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

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

Company Overview

usell.com, Inc., formerly known as Upstream Worldwide, Inc., is a technology based company focused on creating an online marketplace where individuals, which we refer to as consumers, interested in selling small consumer electronics that they are no longer using can:

- Research the current market value for their items, based on the make, model and condition of each item,
- Efficiently find and compare offers for those items from top-rated buyers,
- Review satisfaction ratings and customer reviews of each buyer,
- Determine the offer they wish to accept, and
- Immediately complete their transaction directly with the buyer of their choice.

We have a low cost, highly scalable and flexible business model that allows us to quickly and efficiently adapt to entry into new markets, changes in economic conditions, supply and demand levels and other similar factors. We utilize consumer oriented advertising efforts, such as direct response television commercials and various forms of internet advertising, to attract individuals to our website. Our services are free for Consumers. We partner with reputable electronics buying companies that require a cost efficient customer acquisition model. The economies of scale that we generate by combining the buying power of multiple companies allow us to pass savings on to our partners which, in turn, allows them to offer the highest possible prices to Consumers.

Our corporate headquarters are located at 245 North Ocean Blvd., Suite 306, Deerfield Beach, Florida 33441 and our phone number is (954) 915-1550. Our website can be found at www.usell.com. The information on our website is not incorporated in this prospectus.

Critical Accounting Policies

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the SEC, we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on the our financial condition. The accounting estimates are discussed below and involve certain assumptions that, if incorrect, could have a material adverse impact on our results of operations and financial condition. See Note 2 to our unaudited interim condensed consolidated financial statements and Note 2 to our Consolidated Financial Statements for the year ended December 31, 2011 found elsewhere herein for further discussion regarding our critical accounting policies and estimates.

Recent Accounting Pronouncements

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

Results of Operations

We help individuals monetize household items, such as small consumer electronics that they are no longer using. From the inception of our business in 2008 through 2010, substantially all of our revenue came from the procurement, aggregation and resale of precious metals. By mid-2010, the market for precious metals had retracted and we diversified our business by introducing a service similar to our precious metals business, for cellular phones. During the fourth quarter of 2010, our cellular phone business began to gain traction and our revenue from the sale of cellular phones began to make up a substantial percentage of our business. As a result of this trend, we stopped offering to purchase precious metals in the United Kingdom and European markets during the fourth quarter of 2010 and in Canada and the United States in early 2011. By mid-2011 we further adapted our business strategy and stopped offering to purchase cellular phones directly, although we continued to service packs coming in from prior precious metals and cellular phone advertising campaigns.

In July 2011, we began to focus more intently on our core strength of cost-effective customer acquisition, by creating an online marketplace where individuals interested in selling small consumer electronics that they are no longer using can educate themselves on current market values and sell their items to top-rated, reputable buyers. This strategy also allows us to quickly expand into new product categories beyond cellular phones, such as smartphones, digital cameras, MP3 players, handheld game consoles, etc.

Results for the Three and Six Months Ended June 30, 2012, Compared to the Three and Six Months Ended June 30, 2011

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

	For the Three Months Ended June 30,		Change	Change
	2012	2011	(Dollars)	(Percentage)
Revenue	$ 591,432	$ 1,789,048	$(1,197,616)	-67 %

Cost of Revenue	47,592	877,937	(830,345)	-95 %
Gross Profit	543,840	911,111	(367,271)	-40 %
Sales and Marketing	680,260	488,575	191,685	39 %
General and Administrative	1,376,290	1,435,824	(59,534)	-4 %
Operating Loss	(1,512,710)	(1,013,288)	(499,422)	49 %
Other (Expense) Income	(4,177,900)	56,573	(4,234,473)	-7,485 %
Net Loss	$ (5,690,610)	$ (956,715)	$ (4,733,895)	495 %

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	For the Six Months Ended June 30, 2012	2011	Change (Dollars)	Change (Percentage)
Revenue	$ 836,039	$ 5,510,759	$(4,674,720)	-85 %
Cost of Revenue	78,916	2,754,751	(2,675,835)	-97 %
Gross Profit	757,123	2,756,008	(1,998,885)	-73 %
Sales and Marketing	1,008,030	2,606,397	(1,598,367)	-61 %
General and Administrative	2,042,793	2,971,372	(928,579)	-31 %
Operating Loss	(2,293,700)	(2,821,761)	528,061	-19 %
Other (Expense) Income	(4,511,710)	165,185	(4,676,895)	-2,831 %
Net Loss	$ (6,805,410)	$ (2,656,576)	$(4,148,834)	156 %

Our revenue demonstrates a strong correlation to our level of spending on advertising and marketing. Comparison of revenue, cost of revenue and the resulting gross margins for the three and six month periods ended June 30, 2012 to the same periods in 2011 highlights the effects of the changes to our business over the last year, as discussed above. During 2012, our revenue was generated by earning fees for providing our partners with customers. During 2011, our revenue was generated by selling precious metals and cellular phones that we had purchased from the public. During the transition of our approach, we lowered our advertising expenses considerably while we tested our new message to Consumers and adjusted based on feedback and results. This resulted in lower revenue during 2012, as compared with 2011.

Our direct cost of revenue for generating leads for our partners consists primarily of costs to access and maintain our website, as well as depreciation expense on our technology platform software. During 2011, we paid individuals a percentage of the market value of the items we purchased from them. In addition, we had to maintain facilities and personnel to ship, secure, grade, log and process the items we purchased. In connection with the change in approach, we were able to eliminate these costs. As a result, we have a higher gross margin, on a percentage basis, during 2012, as compared to the same period in 2011.

Our sales and marketing expenditures represent one of our most significant costs, amounting to 115% and 27% of revenue for the three months ended June 30, 2012 and 2011, respectively, and 121% and 47% of revenue for the six months ended June 30, 2012 and 2011, respectively. We utilize direct response advertising and marketing campaigns, including television, print and Internet to attract Consumers to our website. Our sales and marketing costs include production costs to produce and edit advertisements as well as the costs to run them. We manage our advertising and marketing campaigns, and make allocation decisions, by measuring their effectiveness based on a variety of metrics, including response rates, conversion rates and average revenue statistics. During 2012, our advertising and marketing costs exceeded our revenue as we incurred significant production costs to generate advertisements promoting our new online marketplace and optimized the placement of those advertisements. We have seen improvement in the return on our advertising and marketing expenses through 2012, as evidenced by the decline in total sales and marketing costs as a percentage of revenue from 134% during the first quarter of 2012 to 115% during the second quarter of 2012. In addition, this percentage declined each month within the second quarter of 2012, to the point where our revenue exceeded our total sales and marketing costs at the end of the second quarter. Factors such as the time of year and significant local or nationally televised events can influence the effectiveness of our advertising campaigns. We expect the presidential election later this year to have an impact on viewership patterns and to increase the cost of advertising. As such, we have adjusted our advertising plans in an attempt to reduce the potential negative impact that these events might have on the cost of our media campaigns, and maximize the returns on our advertising spending.

General and administrative expenses include professional fees for technology, legal and accounting services as well as consulting and internal personnel costs for our back office support functions. In general, our general and administrative expenses for 2012, as compared to 2011, decreased as we scaled back our investments in our technology infrastructure, reduced our headcount, relocated to less expensive facilities, and reduced other expenses, such as travel, wherever practical. Offsetting the decrease, in part, is an increase in non-cash compensation expense pertaining to share grants for services to our co-chairman of the board and an outside vendor. We are continuing to diligently seek out ways to reduce our overhead costs and to maintain them at minimal levels.

Other expense during the three and six months ended June 30, 2012 was attributable predominantly to a charge resulting from the change in the market value of the derivative liability pertaining to our 2011 Series A PS. During the six months ended June 30, 2012, we also incurred interest expense associated with our 2011 Convertible Notes (as defined below), partially offset by a gain on the settlement of certain accounts payable.

Other income during the three and six months ended June 30, 2011 was attributable primarily to gains on the changes in the market values of the derivative liabilities pertaining to our 2010 Series B preferred stock and our 2011 Convertible Notes, partially offset by derivative expense and interest expense associated with our 2011 Convertible Notes.

Results for the Year Ended December 31, 2011, Compared to the Year Ended December 31, 2010

The following table sets forth, for the periods indicated, consolidated statements of operations information:

	For the Year Ended December 31,		Change	Change
	2011	2010	(Dollars)	(Percentage)
Revenue	$ 5,876,660	$ 32,547,898	$ (26,671,238)	-82 %
Cost of Revenue	2,955,932	11,526,214	(8,570,282)	-74 %
Impairment of prepaid expenses - related party	312,712	-	312,712	100 %
Gross Profit	2,608,016	21,021,684	(18,413,668)	-88 %
Sales and Marketing	3,007,443	20,821,100	(17,813,657)	-86 %
General and Administrative	5,201,263	7,004,056	(1,802,793)	-26 %
Impairment of property and equipment	57,871	114,018	(56,147)	-49 %
Impairment of goodwill and intangible assets	448,734	11,142,273	(10,693,539)	-96 %
Operating Loss	(6,107,295)	(18,059,763)	11,952,468	-66 %
Interest Expense, net	(421,626)	-	(421,626)	-100 %
Other Income	2,150,721	1,268,510	882,211	70 %
Net Loss	$ (4,378,200)	$ (16,791,253)	$ 12,413,053	-74 %

The nature of our direct response advertising and marketing campaigns generally yields a strong correlation between our level of spending on sales and marketing and our revenue across all of our service offerings. This is evident as the decline in revenue during 2011, as compared with 2010, is relatively consistent with the decline in our sales and marketing expenses across the same period. As we changed our advertising allocations from precious metals to cellular phones and then to a broad array of small consumer electronics, our revenues have changed accordingly. During 2011, approximately 43%, 53%, and 3% of our revenue came from the sale of precious metals, the sale of cellular phones, and the provision of small consumer electronics customers to our partners, respectively, whereas approximately 97% of our revenue during 2010 came from precious metals. We expect revenue generated by providing small consumer electronics customers to our partners to comprise the majority of our revenue in 2012.

Cost of revenue decreased during 2011, as compared to 2010, mainly as a result of a strong correlation to revenue. For items purchased directly, we generally paid Consumers a percentage of the market value of the items we purchased from them. Therefore a portion of our cost of revenue is directly correlated to our revenue, both on a volume and per unit basis. Also contributing to the decrease, and causing the slower rate of decline as compared with revenue, is the sales mix: we generally earned a lower gross margin on cellular phones than we did on precious metals. Slowing the rate of decline in cost of revenue, as compared with the decline in revenue, is the fact that certain components of our cost of revenue, such as rent and salaries, are fixed in nature and therefore did not decrease with the sharp decline in revenue. We have reduced or eliminated these costs wherever possible, as they are not required for us to provide an online marketplace for small consumer electronics. Consequently, we anticipate that our gross margin percentage will increase substantially in 2012, as our direct cost of revenue for generating leads for our partners is minimal.

In connection with the decline of our revenues from precious metals and the adaptations we made to our approach to the electronics recycling market, we periodically reviewed the recoverability of our assets pertaining to those portions of our business. During 2010, we recorded an impairment charge of $114,018 pertaining to property and equipment utilized in our foreign precious metals operations and a goodwill impairment charge of $11,142,273. During 2011 we recorded an impairment charge of $57,871 pertaining to property and equipment utilized in our domestic precious metals operations. In addition, during 2011 we determined that our prepaid refinery costs and certain intangible assets, including our non-compete agreement with the Refinery and software development costs pertaining to our website and back-end systems, had been impaired. Accordingly, in 2011 we recorded an impairment charge of $312,712 related to our prepaid refining services and $448,734 related to our intangible assets.

Our sales and marketing expenditures, primarily comprised of advertising and marketing costs, represent one of our most significant costs, amounting to 51% and 64% of revenue for 2011 and 2010, respectively. We manage our advertising and marketing campaigns, and make allocation decisions, by measuring their effectiveness primarily based on the media efficiency rate, which we refer to as “MER”. There are a variety of factors that impact the MER including:

1. The number of leads generated from an advertisement,

2. The rate at which those leads convert into actual orders from Consumers, and

3. The average revenue per order.

Each of these factors, and hence our MERs, vary by market and by the particular advertising method utilized within each market. As our MER from precious metals campaigns declined over the course of 2010 and into 2011, we stopped actively advertising for precious metals in the United Kingdom and European markets during the fourth quarter of 2010 and in Canada and the United States in early 2011. This decline was partially offset by the advertising and marketing testing costs, including production costs to design and implement new campaigns, related to our cellular phone offering, conducted during the first quarter of 2011. However, during the first quarter of 2011, we began to experience collection problems from ReCellular, Inc., our then electronics partner and had to significantly scale down our expenses. During the second half of 2011, we incurred advertising and marketing costs, including production costs to design and implement new campaigns, describing how we show consumers the highest cash offers from our partners for a wide variety of small consumer electronics, although on a significantly smaller scale. We expect that advertising and marketing will continue to be our most important and significant expense in 2012. Our levels of revenue and profitability are contingent upon achieving successful advertising and marketing campaigns that drive large volumes of Consumers to our online marketplace in a cost efficient manner.

General and administrative expenses include professional fees for technology, legal and accounting services as well as consulting and internal personnel costs for our back office support functions. General and administrative expenses for 2011, as compared to 2010, decreased as we scaled back our investments in our technology infrastructure, reduced our headcount, and reduced other expenses, such as travel, wherever practical. We are continuing to diligently seek out ways to reduce our overhead costs to minimal levels.

Interest expense, net during 2011 predominantly relates to the amortization of discounts on our Convertible Notes Payable. As discussed in greater detail below, during January 2012, these notes were all converted into 2011 Series A PS.

Other income was primarily due to gains recognized on the changes in the fair values of our derivative liabilities. During 2011, we recorded gains on the changes in the fair values of our derivative liabilities relating to both our Convertible Notes Payable and the embedded conversion feature of our Series B Preferred Stock, which we refer to as “Series B PS”. During 2010, we recorded a gain pertaining only to the derivative liability relating to the embedded conversion of our Series B PS. In both years, these gains were partially offset by derivative expenses and losses on foreign currency exchange. During 2011, we incurred derivative expenses relating to the issuance of both our Convertible Notes Payable, and the embedded conversion feature of our Series B PS. During 2010, we incurred derivative expenses relating only to the embedded conversion of our Series B PS.

Liquidity and Capital Resources

We utilize direct response advertising and marketing campaigns, including television, print and Internet to attract Consumers to our website where we help them monetize household items, such as small consumer electronics that they are no longer using. These advertising and marketing campaigns are our most significant use of cash from operations. Payment policies for these campaigns vary by advertising medium and by vendor. Payment terms vary as well, but in general payment for our advertisements is due within two-weeks or less of when the advertisement airs. Other significant uses of cash include production costs to create our advertisements, salary expense for our employees, and professional fees.

Cash receipts from our partners, for providing them with customers, are generally received by us within seven to 10 days of the order being placed with the partner by the Consumer.

We incurred a loss from operations of $2,293,700 during the six months ended June 30, 2012 (including non-cash charges for stock based compensation of $843,926). We used $1,843,297 in cash from operations during the six months ended June 30, 2012. As of June 30, 2012 we had an accumulated deficit of $38,478,682, and a working capital deficit of $1,478,100 (including our derivative liability of $4,372,451).

Our investing activities used net cash of $111,154 to purchase property and equipment during the six months ended June 30, 2012. During the same period, our financing activities generated $3,319,287 in net proceeds, mainly comprised of proceeds from the sale of our preferred stock, partially offset by the repayment of an outstanding note payable to an investor in the amount of $35,000.

We incurred a loss from operations of $6,107,295 for the year ended December 31, 2011 including non-cash charges for stock based compensation of $2,178,346, and asset impairment charges of $819,317 pertaining to certain prepaid expenses, property and equipment and intangible assets. We used $2,562,423 in cash from operations during 2011. As of December 31, 2011 we had an accumulated deficit of $31,450,276, and working capital deficit of $257,004.

Our investing activities used net cash of $291,141, to purchase property and equipment and acquire intangible assets during 2011. During the same period, our financing activities generated $3,984,261 in net proceeds, mainly comprised of $1,081,406 in proceeds from the exercise of stock warrants, $800,000 in proceeds from convertible notes payable, and $2,110,000 in gross proceeds from the sale of our preferred stock.

In general, we do not require significant capital to make purchases of property and equipment. We do however employ several people, and use outside contractors, to develop our website and technology platform. The costs incurred pertaining to this software development are capitalized as property and equipment.

During 2011, we received $800,000 pursuant to convertible notes payable, which we refer to as the "2011 Convertible Notes", which we used for working capital purposes. Of this amount, $325,000 was received from a large shareholder, $325,000 was received from our now Co-Chairman of the Board, and $50,000 was received from our then Chief Executive Officer, and $100,000 was received from another shareholder.

In 2011, our Board authorized the sale of up to 10,000,000 shares 2011 Series A PS. From December 2011 through April 2012, we sold 5,406,000 shares of 2011 Series A PS for gross proceeds of $5,406,000 and converted the 2011 Convertible Notes into 1,600,000 shares of 2011 Series A PS.

In January 2012, we offered price protection to the purchasers of the 2011 Series A PS which are triggered if we sell securities with the purpose of raising capital from investors, at a price less than $0.20 per common share. All of the 2011 Series A PS, other than shares subject to 9.99% conversion blockers, automatically converted into common stock when on June 8, 2012, in connection with the Reverse Split (as defined below).

On June 8, 2012, our shareholders approved an amendment to our Certificate of Incorporation to effect a 1-for-52.4846 reverse stock split, which reduced our fully-diluted outstanding common share count to approximately 10,000,000 common shares, which we refer to as the "Reverse Split". Certain securities that were outstanding at the time of the Reverse Split were not subject to the Reverse Split including our 2011 Series A PS; warrants to purchase our common stock that were issued in connection with our 2011 Series A PS; shares and warrants issued to shareholders in connection with the conversion of our 2011 Convertible Notes; and certain stock options.

On February 29, 2012, EcoSquid Acquisition, Inc, which we refer to as "Acquisition Corp", an entity owned predominantly by affiliates of uSell, acquired Fort Knox Recycling, LLC, doing business as ecoSquid. The purchase price was $500,000 in cash. EcoSquid owned the intellectual property that we licensed in order to implement our comparison technology platform. ecoSquid had revenue and losses during 2011 that were immaterial relative to ours for the same period. Aside from the $500,000 funded to acquire ecoSquid, Acquisition Corp. had no other assets, liabilities, revenues or expenses. On April 24, 2012, we acquired 100% of Acquisition Corp. by issuing 350,000 shares of Series D preferred stock to the Acquisition Corp shareholders. We valued the transaction at $500,000, based on the amount of cash paid by Acquisition Corp. for the acquisition of EcoSquid. We ascribed the full $500,000 to the comparison technology platform.

We do not yet have a sustained history of financial stability. Historically our principal source of liquidity has been the issuances of debt and equity securities (including to related parties), including preferred stock, common stock and various debt financing transactions. Losses from operations are continuing subsequent to June 30, 2012. We anticipate that we will continue to generate significant losses from operations in the near future. We believe that our current available cash, along with anticipated revenues and proceeds from this offering, will be sufficient to meet our cash needs for the next twelve months. There can be no assurance that the plans and actions proposed by management will be successful, that we will generate profitability and positive cash flows in the future, that our diversification and expansion plans will not require substantial amounts of capital beyond our current capabilities, or that unforeseen circumstances will not require us to seek additional funding sources in the future or effectuate plans to conserve liquidity. Future efforts to raise additional funds through the issuance of debt and/or equity securities may not be successful or, in the event additional sources of funds are needed to continue operations, they may not be available on acceptable terms, if at all.

BUSINESS

usell.com, Inc., which we refer to as "usell", "we" or "us", is a technology based company focused on creating an online marketplace where consumers interested in selling small consumer electronics that they are no longer using can:

- Research the current market value for their items, based on the make, model and condition of each item,
- Efficiently find and compare offers for those items from top-rated buyers,
- Review satisfaction ratings and customer reviews of each buyer,
- Determine the offer they wish to accept, and
- Immediately complete their transaction on our website directly with the buyer of their choice.

Our business model is similar to successful ecommerce websites, such as KAYAK (www.kayak.com) in the travel industry, Bankrate (www.bankrate.com) in the finance industry, and Insurance.com (www.insurance.com) in the insurance industry. Rather than offer the product or service directly to the consumer, these companies all serve consumers seeking to complete a transaction by providing them with an easy way to (i) find information to help them make an informed decision, (ii) compare offers from various companies that offer the respective product or service, and (iii) help them easily complete their transaction. Our services are free for consumers.

We utilize consumer oriented advertising efforts, such as direct response television commercials and various forms of Internet advertising, to attract consumers to our website. Effective consumer oriented advertising requires significant expertise and up-front capital to efficiently create, produce, edit and air the advertising campaigns. Ineffective advertisements can result in significant costs that do not generate revenue sufficient to cover costs.

We partner with electronics buying companies and provide them with a low risk, cost-efficient customer acquisition model. Through participation in the uSell marketplace, our partners can benefit from the high volume response rates to our national television advertising and broad-based Internet advertising campaigns, while minimizing the investment and risk associated with creating and running their own branded advertising campaign. When consumers enter the information about the device they intend to sell on our website, they are presented with offers from our partners that are interested in buying that item. A partner pays us only when a consumer accepts an offer on our website and provides us (and the partner) with the consumer's name and address. We believe that this model provides our partners with a competitive customer acquisition cost which, in turn, allows them to offer higher prices to consumers.

Our corporate headquarters are located at 245 North Ocean Blvd., Suite 306, Deerfield Beach, Florida 33441 and our phone number is (954) 915-1550. Our website can be found at www.usell.com. The information on our website is not incorporated in this prospectus.

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Company Evolution

We help consumers monetize household items, such as small consumer electronics that they are no longer using. We were incorporated in Delaware on November 18, 2003. On July 23, 2008, we acquired Money4Gold, Inc., an early stage precious metals company, and changed our name to Money4Gold Holdings, Inc. We started our business operations in 2008, buying precious metals directly from the public and selling them to a partner company. On May 7, 2009, we acquired MGE Enterprises Corporation, which we refer to as “MGE”. MGE brought extensive experience in creating and growing businesses that provide shareholder value in a broad array of industries, including direct response, Internet marketing and national retail distribution and sales. MGE’s ability to reach a broader number of consumers through their experience in multi-language television advertising, direct response, and retail distribution and sales greatly accelerated our growth and increased our depth of management experience. In mid-2010, we changed our name to Upstream Worldwide, Inc. and diversified our business by introducing a service similar to our precious metals business, for cellular phones. The response rates to the cellular phone offering far outpaced the responses on our precious metals campaigns. Hence, we began to focus our efforts on the domestic market for cellular phones and small consumer electronics. Through the end of 2010 and into 2011, our revenues began to shift substantially toward cellular phones. We stopped offering to purchase precious metals in the United Kingdom and European markets during the fourth quarter of 2010 and in Canada and the United States in early 2011. By mid-2011 we further adapted our business strategy and stopped offering to purchase cellular phones directly. In July2011, we began to focus more intently on our core strength of cost-effective customer acquisition, and created an online marketplace where consumers interested in selling small consumer electronics that they are no longer using can educate themselves on current market values and sell their items to top-rated, reputable buyers. This strategy also allowed us to quickly expand into new product categories beyond cellular phones; we now offer a place to sell smartphones, iPads and other tablets, Kindles and other e-readers, digital cameras, MP3 players, and handheld game consoles. In April 2012, we acquired Acquisition Corp. Acquisition Corp owned the intellectual property that we licensed in order to implement our comparison technology platform. On July 23, 2012, we changed our name to usell.com, Inc.

To date we have established several significant milestones toward our new strategy:

- We have developed the core technology that enables consumers to fully research the value of the items they wish to sell and select a buyer based on attributes most important to the consumer. We solicit continuous feedback from our consumers and conduct regular, routine testing to ensure we provide the most valuable information to consumers, and in the most readily digestible format.

- We have established strong relationships with approximately 20 partners to date, and are continuously working to bring more partners to the platform. We believe that a higher number of partners make our online marketplace more efficient, thereby ensuring that consumers receive the best available pricing and service. With each partner, we build a custom integration with their systems to ensure that the information exchanged is timely and accurate.

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We have launched the initial stages of our advertising and marketing strategy and have seen very positive response. Each campaign is carefully monitored to ensure the highest returns, factoring in revenue and cost, as well as conversion rates at each phase of the process. By optimizing our advertising to focus on the most successful campaigns, we ensure the highest returns on our investments and can consistently deliver the most cost efficient customer lead costs to our partners. These benefits will be amplified even further as we increase the levels of our advertising investments going forward.

- More recently, with enhancements to our technology platform, consumers now complete all transactions on our consumer website, www.usell.com, rather than being directed to the website of a partner.

Market Opportunity

We believe that the market for recycling small consumer electronics, though just emerging, is substantial and that our historical performance demonstrates the potential of the opportunity for helping consumers monetize items that they are no longer using. The leading product in this category is, by far, the smartphone.

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There are 150 million new smartphones sold every year and the number continues to grow. Traditionally, high costs have enabled cellular service providers, such as AT&T, Verizon and Sprint, to effectively control the distribution of smartphones by subsidizing their high initial purchase cost and requiring consumers to sign long-term contracts. This system however has created a bottleneck in the distribution channels as recent developments in operating system performance and available applications have driven consumer demand to record levels. This trend is evidenced by the recent introduction of advertising campaigns by the phone manufacturers, such as Apple, HTC, and Samsung, aimed directly to consumers. By establishing a direct line of communication with the consumers, device manufacturers can market new products and services directly, as they are developed. This will result in additional pressure on the biggest hurdle the carriers face with the consumers: the long-term contract, as consumers who prefer the latest and greatest technology seek to upgrade their device more frequently.

Most consumers do not know what to do with their old device after they upgrade their phone. Only 10% of the smartphones taken out of service are being sold or traded in by consumers. We believe that this is because consumers (i) do not realize that the devices have value, (ii) do not know that they can sell their devices, and/or (iii) do not know how to go about selling them. This, combined with the rapid pace of technological development, is resulting in an increasing level of supply of relatively new and still functioning, used devices.

There is also considerable demand for relatively new and still functioning used technology devices. As the initial cost of the latest generation devices continues to increase, a market for used smartphones is developing. Similar to the automobile industry, consumers are beginning to look for recent model smartphones that they can buy at prices that are lower than those for the brand new models. The growing demand for smartphones with faster processors and more functionality, the high initial cost of purchasing a new smartphone, and purchasing constraints have all contributed to increased values of used smartphones. For example, according to a consumer survey recently conducted by Consumer Intelligence Research Partners and cited in The Wall Street Journal, since the iPhone 4S launched in October 2011, used models of Apple’s earlier generation devices accounted for 11% of total iPhone activations at U.S. carriers. Apple is launching a new iPhone in September 2012, which we expect will motivate many people to sell earlier iPhone models.

There are a number of used consumer electronics buyers that have emerged to serve this opportunity, but none has gained significant traction. These companies tend to be small and undercapitalized, or are currently focusing on refurbishment infrastructure and distribution to wholesale and/or offshore markets. Some of the larger companies have introduced recycling programs, but with little, if any, financial incentive being offered to the consumer, they have not been largely embraced by consumers.

As a result, there is currently a huge opportunity for the introduction of a cost efficient way for buyers of used consumer electronics to find consumers that are interested in selling their devices. We believe that our online marketplace serves that opportunity.

Challenges

There are several challenges that exist today in the market for used consumer electronics, including:

- ***Emerging Market***: The used consumer electronics market is just emerging and it is not widely known that used consumer electronics have significant value. To date, several consumer electronics and retail companies have introduced recycling programs designed to encourage consumers to “donate” their items to be recycled. These programs are successful for the retailers, but provide little, if any, economic value to the consumer.

- ***Fragmented Market***: There are a number of used consumer electronics buyers that have emerged to serve this opportunity, but none has emerged as the market leader. These companies have focused mainly on the disposition of products and do not have the capital or marketing expertise to drive acquisition volume efficiently.

- ***Lack of Information about Value***: After a consumer becomes aware that they can sell their used device, it is still challenging for them to determine the fair market value of the device. Values found on other websites, such as eBay.com or craigslist.com can fluctuate widely depending on the condition of the item, the seller’s ability to resell the item, and/or the rating of the buyer. Researching a single item is generally very time consuming and can yield inconsistent results.

Competition

We face significant competition in our efforts to attract and retain consumers to our website. Consumers often face countless advertisements each day and standing out amongst them is often challenging. Further, we believe that most consumers are not aware that the used electronics that they are no longer using still may possess significant value and are therefore not actively looking for our service. When consumers are searching for ways to dispose of their electronics, we face competition from a variety of other outlets vying for their attention including:

- Online auctions websites such as eBay.com,
- Companies such as Gazelle, an online purchaser of used electronics which advertises heavily, and our partners which promote their own websites which can be visited directly,
- Online classifieds such as craigslist.com,
- Electronics retailer recycling programs such as BestBuy, Inc.
- Wireless provider trade-in programs,
- Garage sales, and
- Pawn shops.

Our Approach

Marketing and Advertising

We utilize direct response advertising and marketing campaigns, including television, print and Internet to attract visitors to our website. The methods of advertising used and the level of advertising investment vary based on a variety of factors that influence the effectiveness of direct response advertising. The nature of our direct response advertising and marketing campaigns generally yields a strong correlation between our level of spending on sales and marketing and our revenue. Hence, as we increase our advertising and marketing budgets, we anticipate that our revenue will grow accordingly. Our advertising methods include the following:

- Television advertisements can be targeted toward specific demographics based on the type of show and time of day. Factors such as the time of year and significant local or nationally televised events can influence the effectiveness of campaigns.

- Internet and affiliate marketing targets various demographics by advertising on publisher websites and on search engines, most commonly with keyword-based text ads, as well as with banners and contextual banners, focused on generating potential customers by driving traffic to our websites. Internet marketing also reaches customers who are using the web on their smart phones.

- Mobile phone marketing targets mobile phone users, and provides the ability to specifically target owners of smart phones in general and certain specific models.

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- Remarketing efforts focus on users who have visited the usell site, but did not sell their phone. This incremental online advertising effort maximizes the dollars spent to initially bring the customer to the site by increasing overall conversions.

- Referral marketing encourages users to refer friends and family to usell by offering cash incentives, thus allowing usell to acquire multiple new customers at a low incremental cost.

Process

Consumers responding to our advertising campaigns come to our website where they search our database for the item they wish to sell. They are prompted to answer a number of questions regarding the condition of the item and which associated accessories they have, if any. Upon completion of the appraisal questions, they are presented with a listing of offers to purchase their item from our partners. In addition to the offered purchase price, consumers can review the offer details from each partner, including:

- Average customer ratings,
- Whether the partner offers the opportunity to print a prepaid shipping label immediately, or to receive a shipping kit,
- Average payment time,
- Payment options offered,
- Return options,
- Data removal, and
- Complete the sale on our website.

Our website provides a checkout process that enables consumers to complete the entire transaction on our website without being re-directed to our partners' websites. In addition, we are working on implementing the ability to sell multiple devices to multiple buyers simultaneously, thereby ensuring that they receive the highest offer for each individual device. We believe that this will encourage consumers to sell multiple devices.

Strengths

We believe that we have certain key strengths that will enable us to be successful:

- ***A Better Way to Sell***: We have created a better way for consumers to sell small consumer electronics that people are no longer using. We use proprietary software and algorithms to quickly find, consolidate and present offers from top-rated, reputable buyers. We display the results in an intuitive interface, providing a single place for consumers to educate themselves about market values of their items and then select the party with which they would like to do business based on the factors most important to them.

- ***First in Our Industry***: We believe that we are the first online marketplace of our kind in the small electronics industry. We have taken the same successful concepts used in other industries, such as travel, insurance, and banking/finance, and applied them to a burgeoning industry.

- ***Technology Driven***: We believe we have one of the strongest technology teams in the electronics recycling industry. We focus on developing high performance technology to power our website by rapidly searching for items based on variables selected by the consumer and presenting it in a clear and intuitive manner. We strive to innovate quickly and are continuously developing and releasing new functionality on our website to enhance the consumers' experience. We invest in complex application program interface technology, and coordinate with our partners to update data in real time. These investments strengthen our relationship with our partners and ensure that consumers are receiving timely, reliable information.

- ***Scalable and Cost Efficient***: We designed our business model and technology platform to be highly scalable and cost efficient. Our software and systems have been designed to handle significant growth in users and queries, without requiring significant re-engineering or major capital expenditures. In addition, we use a combination of proprietary software and public domain technologies that will allow us to leverage our technology investments as our traffic volume continue to grow. We do not incur meaningful costs or overhead associated with fulfillment or customer service, and we maintain relatively low fixed operating costs.

- ***Flexible Discretionary Advertising***: Our largest expenditures pertain to our advertising and marketing campaigns. Our consumer oriented advertising efforts include television and various forms of Internet advertising, as well as both affiliate and personal referral programs. Each approach is highly flexible and engineered in such a way as to minimize any significant up-front investments. We can dynamically tailor our campaigns to specific audiences and timeframes and adjust our spending levels to maximize our returns on each particular campaign and minimize the cost per visitor to our website.

- ***Strong Management Team***: Our management team is comprised of experienced marketing, technology and business entrepreneurs, each with a track record of success. Our varied industry backgrounds are united by the application of technological innovation to new or existing industries. We feel that our collective experience puts us in a unique position to focus on leveraging technology in an innovative way, while minimizing capital expenditures and overhead costs, to create an online marketplace that provides consumers a better way to sell small consumer electronics that they are no longer using.

Growth Strategy

We intend to quickly and efficiently scale our advertising and marketing campaigns to reach the owners of the 150 million smartphones currently going unsold in the marketplace today. We will continue to develop our website to expand the information available to provide consumers the forum to educate themselves regarding market values and buyer ratings and we will continue to seek out reputable consumer electronics buying partners to ensure that the offers we present to consumers are the best available.

Government Regulation

Because of the nature of our business, we are subject to the Federal Trade Commission’s unfair trade practice rules and various state laws designed to protect consumers including “little” unfair trade practice laws, as well as similar laws and regulations in the other markets in which we operate. As we continue to expand globally, we will be subject to the laws of each country where we operate. See the Risk Factors on pages 9 and 13 for further description of Government Regulation.

Employees

As of the date of this prospectus, we had 12 employees, all of which are full-time employees. None of our employees are subject to a collective bargaining agreement.

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Intellectual Property

We currently rely on a combination of trade secret laws and restrictions on disclosure to protect our intellectual property rights. We enter into proprietary information and confidentiality agreements with our employees, consultants and commercial partners and control access to, and distribution of our software documentation and other proprietary information.

Property

We lease approximately 1,800 square feet for our corporate headquarters located at 245 North Ocean Blvd., Suite 306, Deerfield Beach, Florida 33441.

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

Legal Proceedings

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

MANAGEMENT

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

Name	Age	Position
Daniel Brauser	31	Chief Executive Officer, President, and Director
Michael Brachfeld	41	Chief Financial Officer and Chief Accounting Officer
Nik Raman	28	Chief Operating Officer and Director
Sergio Zyman	67	Executive Chairman
Michael Brauser	56	Co-Chairman
Douglas Feirstein	42	Director
Scott Frohman	44	Director
Grant Fitzwilliam	44	Director

Biographies

Daniel Brauser has served as our Chief Executive Officer since July 10, 2012 and as a director since July 23, 2008. Mr. Brauser has also served as our President since January 27, 2012. Prior to being appointed Chief Executive Officer, Mr. Brauser served as the Company's Chief Financial Officer from July 23, 2008 through July 10, 2012. From July 23, 2008 through May 7, 2009, Mr. Brauser also served as our President and Chief Operating Officer. From November 2005 until September 2007, Mr. Brauser served as the Senior Vice President of Health Benefits Direct Corporation. Mr. Brauser was selected as a director for his extensive experience managing the growth of young companies from start-up through to maturity. In addition, as a founder of our reverse logistics business, Mr. Brauser possesses a detailed understanding of the characteristics unique to our business model.

Michael Brachfeld has served as our Chief Financial Officer since July 10, 2012 and as our Chief Accounting Officer since March 30, 2010. From September 21, 2009 until July 10, 2012, Mr. Brachfeld served as our Vice President of Finance. From April 2007 to September 2009, Mr. Brachfeld served as Vice President of Finance at eLandia Group, Inc., a provider of information technology products and services to small, medium-sized and large businesses as well as government entities, primarily in Latin America. From October 2003 until April 2007, Mr. Brachfeld served as the Corporate Controller of Affinity Internet, Inc., a web hosting and on-line services company. He is a Certified Public Accountant in Florida.

Nik Raman was appointed as our Chief Operating Officer on January 27, 2012 and a director on April 24, 2012. After graduating from Harvard Business School, Mr. Raman founded and served as Manager of Ft. Knox Recycling, LLC doing business as EcoSquid. From 2008 until 2010, Mr. Raman attended Harvard Business School during which time he interned at FPL Energy's Corporate Development Group. From 2005 to 2008, Mr. Raman was a Client Manager at IBM where he was responsible for product and services portfolio sales to financial services institutions. Mr. Raman was appointed a director in connection with the acquisition of Acquisition Corp. in April 2012.

Sergio Zyman was appointed as Executive Chairman and as a director on January 27, 2012. In 1999, Mr. Zyman founded Zyman Group, an international marketing consulting firm. In 2005 and 2008 respectively, Mr. Zyman sold a majority and then sole ownership of the company to MDC Partners. Since 2008, he has been President of Sergio Zyman & Company consultancy. Mr. Zyman was selected as a director for his extensive marketing experience.

Michael Brauser has served as Chairman and Co-Chairman (upon the appointment of Mr. Zyman as Executive Chairman on January 27, 2012) since November 18, 2011. Mr. Brauser has been the manager of Marlin Capital Partners, LLC, a private investment company, since 2003. Mr. Brauser served as the Co-Chairman of interclick, inc. from August 2007 until it was acquired by Yahoo, Inc. in December 2011. Since October 2011, Mr. Brauser has served as a Co-Chairman on the Board of Directors of Chromadex Corp., a publicly-traded developer of phytochemical and botanical reference standards. Mr. Brauser also served as a Co-Chairman of the Board of Directors of Chromadex Corp between May 2010 and March 2011. Mr. Brauser was selected as a director due to his significant experience in the Internet industry, and his extensive business and management expertise.

Douglas Feirstein has served as a director since May 7, 2009 when we acquired MGE Enterprises Corporation, which we refer to as "MGE". Until July 10, 2012, Mr. Feirstein served as our Chief Executive Officer since May 7, 2009 when we acquired MGE. In 2005, Mr. Feirstein founded and served as a manager of Pink Package, LLC, d/b/a My Gold Envelope a predecessor to MGE and since the date of MGE's acquisition of My Gold Envelope, he had been an executive officer of MGE. Mr. Feirstein was selected as a director for his extensive experience managing the growth of young companies from start-up through to maturity. In addition, as a founder of MGE, Mr. Feirstein possesses a detailed understanding of the characteristics unique to our business model.

Scott Frohman served as our Chairman of the Board from July 23, 2008 through November 18, 2011, and as a director since November 18, 2011. Since June 23, 2008, Mr. Frohman has been the Chief Executive Officer and a director of Options Media Group Holdings, Inc. Mr. Frohman was selected as a director for his general business management with specific experience in marketing driven companies.

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

Family Relationships

With the exception of Michael and Daniel Brauser, who are father and son, there are no family relationships among our directors and executive officers.

Board Committees and Charters

The Board and its Committees meet and act by written consent from time to time as appropriate. The Board has formed and appoints members to its: Audit and Compensation Committees. Committees regularly report on their activities and actions to the Board. The Audit Committee and the Compensation Committee each have a written charter approved by the Board.

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

Name	Independent	Audit	Compensation
Michael Brauser			
Sergio Zyman			
Daniel Brauser			
Douglas Feirstein			
Grant Fitzwilliam	√	Chairman	√
Scott Frohman	√	√	√
Nik Raman			

Independence

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

Audit Committee

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

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

Compensation Committee

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

Board Assessment of Risk

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

Presently, the largest risk affecting usell is the inability to generate sufficient revenue so that we have positive cash flow from operations. The Board focuses on this key risk at each meeting and actively interfaces with management on seeking solutions.

Risk Assessment Regarding Compensation Policies and Practices

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

- Our base pay programs consist of competitive salary rates that represent a reasonable portion of total compensation and provide a reliable level of income on a regular basis, which decreases incentive on the part of our executives to take unnecessary or imprudent risks;

- A portion of executive incentive compensation opportunity is tied to long-term incentive compensation that emphasizes sustained performance over time. This reduces any incentive to take risks that might increase short-term compensation at the expense of longer term Company results.

- Awards are not tied to formulas that could focus executives on specific short-term outcomes;

- Equity awards may be recovered by us should a restatement of earnings occur upon which incentive compensation awards were based, or in the event of other wrongdoing by the recipient; and

- Equity awards, generally, have multi-year vesting which aligns the long-term interests of our executives with those of our shareholders and, again, discourages the taking of short-term risk at the expense of long-term performance.

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EXECUTIVE COMPENSTION

The following information is related to the compensation paid, distributed or accrued by us to our Chief Executive Officer (principal executive officer) and the two other most highly compensated executive officers serving at the end of the last fiscal year whose total compensation exceeded $100,000 in 2011 and 2010. We refer to these persons as the "Named Executive Officers."

2011 Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($)(c)	**Option Awards ($)(f)** (1)	All Other Compensation ($)(i)	Total ($)(j)
Douglas Feirstein	2011	—	1,300,000 (2)	—	1,300,000
Chief Executive Officer	2010	269,038 (3)	506,181 (4)	—	775,219
Daniel Brauser	2011	63,462 (5)	1,300,000 (2)	—	1,363,462
Chief Financial Officer	2010	184,615 (5)	506,181 (4)	—	690,796
Chuck Wallace	2011	121,154 (5)	181,483 (6)	20,000 (7)	322,637
Former President and Chief Operating Officer	2010	141,479 (8)	518,534 (9)	—	660,013

(1) The amounts in this column represent the fair value of the award as of the grant date as computed in accordance with FASB ASC Topic 718 and the SEC disclosure rules. These amounts represent awards that are paid in options to purchase shares of our common stock and do not reflect the actual amounts that may be realized by the Named Executive Officers.

(2) In September 2011, Messrs. Feirstein and Brauser were each granted 1,905,321 five-year stock options exercisable at $0.68 per share which vested annually over a four-year period with first vesting date being September 13, 2012 (See below for further description of the grant). In January 2012, Messrs. Feirstein and Brauser agreed to forfeit these options. None of the options had vested.

(3) Of this amount, $149,038 was cash compensation. In November 2010, Mr. Feirstein was granted 114,319 five-year stock options in lieu of cash salary. See below for further description of the grant. Mr. Feirstein began drawing a cash salary again starting on January 1, 2012.

(4) In September 2010, Messrs. Feirstein and Brauser were granted 246,988 five-year stock options exercisable at $1.78 per share which vest each calendar quarter over a four-year period with first vesting date being December 31, 2010. On September 13, 2011, the exercise price of these options was reduced to $0.68 per share.

(5) Represents cash compensation.

(6) Mr. Wallace was appointed President and Chief Operating Officer on September 10, 2010. He resigned from the Company effective December 31, 2011. In connection with his resignation, he was granted 500,000 fully vested stock options exercisable at $0.20 per share.

(7) This amount represents separation payments made in connection with Mr. Wallace's resignation.

(8) Includes compensation received by Mr. Wallace for consulting services received prior to becoming an executive officer of usell.

(9) Mr. Wallace was granted 253,016 five-year stock options exercisable at $1.78 per share. Of these options, 31,627 options vested immediately and the remaining options vested in 5,271 increments each month beginning September 22, 2010.

Named Executive Officer Employment Agreements

The following discussion is historical in nature.

Douglas Feirstein Employment Agreement

Mr. Douglas Feirstein began drawing a salary of $125,000 per year effective January 1, 2012. With his resignation as Chief Executive Officer on July 10, 2012, his compensation terminated.

Effective May 5, 2009, we entered into an employment agreement with Douglas Feirstein, our then Chief Executive Officer. The current term of the agreement expires on May 5, 2012. On November 23, 2009, Mr. Feirstein's employment agreement was amended to increase the annual salary from $225,000 to $275,000 effective December 1, 2009 and $300,000 beginning June 1, 2010. On September 30, 2010, Mr. Feirstein agreed to relinquish all of his severance rights with respect to any termination of his employment with us. The December 1, 2009 increase occurred, but in April 2010, Mr. Feirstein's salary was reduced to $175,000 and in May 2010, it was further reduced to $150,000. In October 2010, he agreed to no longer take a salary and on November 4, 2010, Mr. Feirstein was granted 114,319 five-year stock options in lieu of receiving cash compensation for a one-year period. The options were to vest monthly over a one-year period unless Mr. Feirstein provided notice of his intent to receive cash compensation for that monthly period. Mr. Feirstein did not provide such notice and the options have fully vested. Prior to being re-priced to $0.68, on September 13, 2011, the options were exercisable at $1.31 per share.

On September 13, 2011, we granted Mr. Feirstein 1,905,321 five-year stock options exercisable at $0.68 per share. The options were to have vested annually over a four-year period, subject to his continued employment. In January 2012, Mr. Feirstein agreed to forfeit these options. None of the options had vested at the time of forfeiture.

Daniel Brauser Employment Agreement

Mr. Daniel Brauser, who is now our Chief Executive Officer, began drawing a salary of $125,000 per year effective January 1, 2012.

Effective July 23, 2008, we entered into an employment agreement with Mr. Brauser, who was then our Chief Financial Officer. The current term of the agreement expires on May 5, 2012. On November 23, 2009, Mr. Brauser's employment agreement was amended to increase the annual salary from $225,000 to $275,000 effective December 1, 2009 and $300,000 beginning June 1, 2010. On September 30, 2010, Mr. Brauser agreed to relinquish all of his severance rights with respect to any termination of his employment with usell. The December 1, 2009 increase occurred, but in April 2010, Mr. Brauser’s salary was reduced to $175,000. In October 2010, he agreed to no longer take a salary.

On September 13, 2011, we granted Mr. Brauser 1,905,321 five-year stock options exercisable at $0.68 per share. The options were to have vested annually over a four-year period, subject to his continued employment. In January 2012, Mr. Brauser agreed to forfeit these options. None of the options had vested at the time of forfeiture.

Charles Wallace Employment Arrangement

Mr. Wallace was receiving a cash salary of $150,000 under an oral agreement effective September 13, 2010 until May 2011, at which time it was reduced to $100,000. In connection with his resignation, Mr. Wallace received a $20,000 cash payment and was granted, subject to the proposed Reverse Split, 500,000 fully vested options exercisable at $0.20 per share.

Termination Provisions

As a result of the amendments to Messrs. Feirstein's and Brauser's Employment Agreement discussed above, no executive officer is entitled to any severance rights.

Outstanding Equity Awards At 2011 Fiscal Year-End

Listed below is information with respect to unexercised options for each Named Executive Officer as of December 31, 2011.

Outstanding Equity Awards At 2011 Fiscal Year-End

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)		Option Exercise Price ($) (e)	Option Expiration Date (f)
Douglas Feirstein	5,293	5,293	(1)	0.68	12/21/2014
	77,184	169,804	(2)	0.68	9/9/2015
	114,319	-		0.68	11/3/2015
	-	1,905,321	(3)	0.68	9/10/2021
Daniel Brauser	5,293	5,293	(1)	0.68	12/21/2014
	71,450	71,450	(1)	0.68	12/21/2014
	77,184	169,804	(2)	0.68	9/9/2015
	-	1,905,321	(3)	0.68	9/10/2021
Chuck Wallace	110,694	142,321		1.78	9/9/2015

(1) These options vest each calendar quarter until December 31, 2013.

(2) These options vest each calendar quarter until December 31, 2014.

(3) These options were to have vested annually over a four-year period, subject to their continued employment. In January 2012, these options were forfeited. None of the options had vested at the time of forfeiture.

Supplemental Information

In connection his appointment as Chief Financial Officer, Mr. Michael Brachfeld was granted 400,000 five-year stock options exercisable at $0.20 per share. These options vest each calendar quarter over a four year period, with the first vesting date being September 30, 2012, subject to continued employment on the applicable vesting date.

DIRECTOR COMPENSATION

We do not pay cash compensation to our directors for service on our Board. Directors are reimbursed for reasonable expenses incurred in attending meetings and carrying out duties as Board and committee members. Previously, our non-employee directors received automatic grants of stock options and restricted stock as compensation for their services as directors under our Plan. On June 10, 2011, the Plan was amended to eliminate the automatic stock option grants to non-employee directors. Consequently, the automatic stock option grants which were due to the non-employee directors serving on July 1, 2011 did not occur. Thus, there was no director compensation in 2011. On July 10, 2012, each of our directors, other than our Co-Chairmen, was granted 200,000 five-year stock options (exercisable at $0.20 per share) for service on the Board. The options vest one year from the date of grant, subject to continued service on the one year anniversary of the grant. In July 2012, we granted each of our Co-Chairmen (Messrs. Sergio Zyman and Michael Brauser) 1,000,000 shares of vested common stock; in addition, Mr. Zyman received a grant of 1,000,000 five-year fully vested stock options, exercisable at $0.20 per share. Additionally, we granted Mr. Zyman 2,500,000 shares of vested common stock.

PRINCIPAL SHAREHOLDERS

The following table sets forth the number of shares of our common stock beneficially owned as of September 19, 2012 by (i) those persons known by us to be owners of more than 5% of our voting securities, (ii) each director, (iii) our Named Executive Officers and (iv) all executive officers and directors of usell as a group, pre-and post-offering (assuming all 35 million shares are sold).

Title of Class	Beneficial Owner	**Amount and Nature of Beneficial Owner** (1)	**Percent of Class Pre-Offering** (1)		**Percent of Class Post Offering** (1)	
Directors and Executive Officers:						
Common Stock	Douglas Feirstein (2)	2,336,893	5.2	%	2.8	%
Common Stock	Daniel Brauser (3)	1,731,902	3.9	%	2.1	%
Common Stock	Chuck Wallace (4)	500,000	1.1	%	*	
Common Stock	Sergio Zyman (5)	7,000,000	15.7	%	8.5	%
Common Stock	Michael Brauser (6)	8,534,422	18.0	%	10.0	%
Common Stock	Scott Frohman (7)	156,917	*		*	
Common Stock	Grant Fitzwilliam (8)	36,088	*		*	
Common Stock	Nik Raman (9)	0	0		0	
Common Stock	All directors and executive officers as a group (9 persons) (10)	18,098,784	36.5	%	20.8	%
5% Shareholders:						
Common Stock	Barry Honig (11)	4,262,123	9.9	%	8.8	%
Common Stock	Todd Oretsky (12)	1,496,536	3.4	%	*	
Common Stock	Hakan Koyuncu (13)	1,534,643	3.5	%	*	
Common Stock	Frost Gamma Investments Trust (14)	4,262,123	9.9	%	7.7	%

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* Less than 1%.