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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2015

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 000-52015

**Western Capital Resources, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Minnesota  
(State or Other Jurisdiction of Incorporation or Organization)

47-0848102  
(I.R.S. Employer Identification Number)

11550 "I" Street, Suite 150, Omaha, Nebraska 68137  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (402) 551-8888

N/A

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(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 14, 2015, the registrant had outstanding 5,997,588 shares of common stock, as adjusted for our reverse stock split, no par value per share.

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Western Capital Resources, Inc.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

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**WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | <b>March 31, 2015</b><br><b>(Unaudited)</b> | <b>December 31, 2014</b> |
|---|---|--------------------------|
| <b>ASSETS</b>   |   |                          |
| <b>CURRENT ASSETS</b>   |   |                          |
| Cash  | \$ 3,336,043                                | \$ 4,273,350             |
| Loans receivable (less allowance for losses of \$1,065,000 and \$1,219,000, respectively)   | 4,103,737                                   | 5,331,266                |
| Accounts receivable (less allowance for losses of \$95,000 and \$59,405, respectively)      | 1,234,393                                   | 1,135,127                |
| Inventory   | 2,291,000                                   | 2,340,824                |
| Prepaid expenses and other  | 1,392,767                                   | 1,435,918                |
| Deferred income taxes   | 607,000                                     | 644,000                  |
| <b>TOTAL CURRENT ASSETS</b>   | <b>12,964,940</b>                           | <b>15,160,485</b>        |
| PROPERTY AND EQUIPMENT, net   | 1,220,274                                   | 1,197,710                |
| GOODWILL  | 13,178,868                                  | 12,956,868               |
| INTANGIBLE ASSETS, net  | 7,356,953                                   | 7,248,793                |
| OTHER   | 382,020                                     | 198,408                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 35,103,055</b>                        | <b>\$ 36,762,264</b>     |
| <b>LIABILITIES AND EQUITY</b>   |   |                          |
| <b>CURRENT LIABILITIES</b>  |   |                          |
| Accounts payable and accrued liabilities  | \$ 5,463,318                                | \$ 6,025,920             |
| Income taxes payable  | 131,003                                     | 755,615                  |
| Current portion notes payable   | 2,500,000                                   | 3,500,000                |
| Current portion capital lease obligations   | 37,246                                      | 42,240                   |
| Deferred revenue and other  | 645,246                                     | 638,068                  |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>8,776,813</b>                            | <b>10,961,843</b>        |
| <b>LONG-TERM LIABILITIES</b>  |   |                          |
| Notes payable, net of current portion   | 1,250,000                                   | 1,625,000                |
| Capital lease obligations, net of current portion   | 25,678                                      | 31,481                   |
| Deferred income taxes   | 4,003,000                                   | 3,939,000                |
| Other   | 118,702                                     | 114,514                  |
| <b>TOTAL LONG-TERM LIABILITIES</b>  | <b>5,397,380</b>                            | <b>5,709,995</b>         |
| <b>TOTAL LIABILITIES</b>  | <b>14,174,193</b>                           | <b>16,671,838</b>        |
| <b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>  |   |                          |
| <b>EQUITY</b>   |   |                          |
| <b>WESTERN SHAREHOLDERS' EQUITY</b>   |   |                          |
| Common stock, no par value, 12,500,000 shares authorized, 5,997,588 issued and outstanding. | -   | -                        |
| Additional paid-in capital  | 22,703,745                                  | 22,703,745               |
| Accumulated deficit   | (1,785,633)                                 | (2,621,692)              |
| <b>TOTAL WESTERN SHAREHOLDERS' EQUITY</b>   | <b>20,918,112</b>                           | <b>20,082,053</b>        |
| <b>NONCONTROLLING INTERESTS</b>   | <b>10,750</b>                               | <b>8,373</b>             |
| <b>TOTAL EQUITY</b>   | <b>20,928,862</b>                           | <b>20,090,426</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 35,103,055</b>                        | <b>\$ 36,762,264</b>     |

*See notes to condensed consolidated financial statements*

**WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

|   | Three Months Ended       |                          |
|---|--------------------------|--------------------------|
|   | March 31, 2015           | March 31, 2014           |
| <b>REVENUES</b>   |                          |                          |
| Retail sales and associated fees                                      | \$ 7,505,748             | \$ 5,877,792             |
| Financing fees and interest   | 2,585,394                | 2,711,810                |
| Royalty and franchise fees, net                                       | 2,705,157                | -                        |
| Other revenue   | 1,645,532                | 1,031,562                |
|   | <u>14,441,831</u>        | <u>9,621,164</u>         |
| <b>COST OF REVENUES</b>   |                          |                          |
| Cost of goods sold  | 4,508,255                | 3,575,827                |
| Provisions for loans receivable losses                                | 326,210                  | 336,863                  |
| Other   | 195,678                  | -                        |
| Total Costs of Revenues   | <u>5,030,143</u>         | <u>3,912,690</u>         |
| <b>GROSS PROFIT</b>   | <b>9,411,688</b>         | <b>5,708,474</b>         |
| <b>OPERATING EXPENSES</b>   |                          |                          |
| Salaries, wages and benefits  | 4,216,114                | 2,557,771                |
| Occupancy   | 1,307,229                | 1,148,560                |
| Advertising and development   | 256,495                  | 87,533                   |
| Depreciation  | 104,082                  | 86,562                   |
| Amortization  | 103,840                  | 24,758                   |
| Other   | 1,941,221                | 946,283                  |
|   | <u>7,928,981</u>         | <u>4,851,467</u>         |
| <b>OPERATING INCOME</b>   | <b>1,482,707</b>         | <b>857,007</b>           |
| <b>OTHER INCOME (EXPENSES):</b>                                       |                          |                          |
| Interest income   | 1,354                    | -                        |
| Interest expense  | (105,975)                | (80,174)                 |
|   | <u>(104,621)</u>         | <u>(80,174)</u>          |
| <b>INCOME BEFORE INCOME TAXES</b>                                     | <b>1,378,086</b>         | <b>776,833</b>           |
| <b>INCOME TAX EXPENSE</b>   | <b>539,650</b>           | <b>288,000</b>           |
| <b>NET INCOME</b>   | <b>838,436</b>           | <b>488,833</b>           |
| Less net income attributable to noncontrolling interests              | <u>(2,377)</u>           | <u>-</u>                 |
| <b>NET INCOME ATTRIBUTABLE TO WESTERN SHAREHOLDERS</b>                | <b>\$ <u>836,059</u></b> | <b>\$ <u>488,833</u></b> |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS</b> |                          |                          |
| Basic and diluted   | <u>\$ 0.14</u>           | <u>\$ 0.16</u>           |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>                     |                          |                          |
| Basic and diluted   | <u>5,997,588</u>         | <u>3,011,008</u>         |

*See notes to condensed consolidated financial statements*

**WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

|   | <b>Three Months Ended</b> |                       |
|---|---------------------------|-----------------------|
|   | <b>March 31, 2015</b>     | <b>March 31, 2014</b> |
| <b>OPERATING ACTIVITIES</b>   |                           |                       |
| Net Income  | \$ 838,436                | \$ 488,833            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                       |
| Depreciation  | 104,082                   | 86,562                |
| Amortization  | 103,840                   | 24,758                |
| Deferred income taxes   | 101,000                   | 162,000               |
| Changes in operating assets and liabilities:                                      |                           |                       |
| Loans receivable  | 1,227,529                 | 1,240,990             |
| Accounts receivable   | (99,266)                  | -                     |
| Inventory   | 49,824                    | 29,527                |
| Prepaid expenses and other assets   | (190,461)                 | (277,714)             |
| Accounts payable and accrued liabilities  | (1,187,214)               | (185,005)             |
| Deferred revenue and other current liabilities                                    | 7,178                     | -                     |
| Accrued liabilities and other   | 4,188                     | (62,731)              |
| Net cash provided by operating activities   | <u>959,136</u>            | <u>1,507,220</u>      |
| <b>INVESTING ACTIVITIES</b>   |                           |                       |
| Purchase of property and equipment  | (70,646)                  | (113,688)             |
| Acquisition of stores   | (440,000)                 | -                     |
| Net cash used by investing activities   | <u>(510,646)</u>          | <u>(113,688)</u>      |
| <b>FINANCING ACTIVITIES</b>   |                           |                       |
| Payments on notes payable – long-term   | (1,375,000)               | (1,050,000)           |
| Payments on capital leases  | (10,797)                  | -                     |
| Net cash used by financing activities   | <u>(1,385,797)</u>        | <u>(1,050,000)</u>    |
| <b>NET (DECREASE) INCREASE IN CASH</b>  | <b>(937,307)</b>          | <b>343,532</b>        |
| <b>CASH</b>   |                           |                       |
| Beginning of period   | 4,273,350                 | 1,983,835             |
| End of period   | <u>\$ 3,336,043</u>       | <u>\$ 2,327,367</u>   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                           |                           |                       |
| Income taxes paid   | \$ 1,133,458              | \$ 6,831              |
| Interest paid   | \$ 114,523                | \$ 105,966            |
| Noncash investing and financing activities:                                       |                           |                       |
| Deposit applied to purchase of intangibles  | \$ 50,000                 | \$ -                  |

*See notes to condensed consolidated financial statements.*

## WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Basis of Presentation, Nature of Business and Summary of Significant Accounting Policies –

##### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared according to the instructions to Form 10-Q and Section 210.8-03(b) of Regulation S-X of the Securities and Exchange Commission (SEC) and, therefore, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in our Form 10-K for the year ended December 31, 2014. The condensed consolidated balance sheet at December 31, 2014, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP.

##### Nature of Business

References in these financial statements notes to “Company” or “we” refer to Western Capital Resources, Inc. and its subsidiaries. References to specific companies within our enterprise, such as “PQH” or “AGI,” are references only to those companies. Western Capital Resources, Inc. (“WCR”) is a holding company owning operating subsidiaries, with the percentage of each operating subsidiary owned shown parenthetically, as summarized below.

- Franchise
  - AlphaGraphics, Inc. (AGI) (99.2% – acquired October 1, 2014) – franchisor of 245 domestic and 32 international AlphaGraphics Business Centers specializing in the planning, production, and management of visual communications for businesses and individuals throughout the world.
- Cellular Retail
  - PQH Wireless, Inc. (PQH) (100%) – owns and operates cellular retail stores (68 as of March 31, 2015) as an exclusive dealer of the Cricket brand, in 15 states—Arizona, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska, Ohio, Oklahoma, Oregon, Texas, Washington, and Wisconsin.
- Consumer Finance
  - Wyoming Financial Lenders, Inc. (WFL) (100%) – owns and operates “payday” stores (50 as of March 31, 2015) in nine states (Colorado, Iowa, Kansas, Nebraska, North Dakota, South Dakota, Utah, Wisconsin and Wyoming) providing sub-prime short-term uncollateralized non-recourse “cash advance” or “payday” loans typically ranging from \$100 to \$500 with a maturity of generally two to four weeks, sub-prime short-term uncollateralized non-recourse installment loans typically ranging from \$300 to \$800 with a maturity of six months, check cashing and other money services to individuals.
  - Express Pawn, Inc. (EPI) (100%) – owns and operates retail pawn stores (three as of March 31, 2015) in Nebraska and Iowa providing collateralized non-recourse pawn loans and retail sales of merchandise obtained from forfeited pawn loans or purchased from customers.

##### Basis of Consolidation

The consolidated financial statements include the accounts of the WCR, its wholly owned subsidiaries and other entities in which the Company owns a controlling financial interest. For financial interests in which the Company owns a controlling financial interest, the Company applies the guidance of ASC 810 applicable to reporting the equity and net income or loss attributable to noncontrolling interests. All significant intercompany balances and transactions of the Company have been eliminated in consolidation.

##### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Significant management estimates relate to the notes and loans receivable allowance, carrying value and impairment of long-lived goodwill and intangible assets, inventory valuation and obsolescence, estimated useful lives of property and equipment, and deferred taxes and tax uncertainties.

### Combination (Reverse Split) of Common Stock

On May 30, 2014, the Company's Board of Directors approved a 1-for-20 reverse stock split. The reverse stock split became effective on June 20, 2014. The reverse stock split reduced the number of issued and outstanding shares of common stock to 3,010,765 shares. The reverse stock split similarly reduced by a factor of 20 the authorized number of shares of capital stock that the Company may issue to 12,500,000. The accompanying financial statements and footnotes have been adjusted retroactively to reflect the reverse stock split.

### Net Income Per Common Share

Basic net income per common share is computed by dividing the income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period, including stock options, using the treasury stock method. Options to purchase 65,000 shares granted under the 2015 Stock Incentive Plan effective February 6, 2015 (see Note 12) were outstanding at March 31, 2015. These options have a strike price in excess of the market price as of March 31, 2015, were antidilutive and therefore were not included in the computation of diluted earnings per share. Thus, there were no dilutive common shares as of March 31, 2015 and 2014.

### Segment Reporting

The Company has grouped its operations into four segments – Franchise segment, Cellular Retail segment, Consumer Finance segment and Acquisitions and Corporate Management. The Franchise segment specializes in the planning, production, and management of visual communications for businesses and individuals. The Cellular Retail segment is an authorized Cricket premier dealer selling cellular phones and accessories, providing ancillary services and accepting service payments from customers. The Consumer Finance segment provides financial and ancillary services and also sells used merchandise at retail pawn stores. The Acquisitions and Management segment is Company activities related to acquisitions and subsequent management and oversight of acquired businesses.

### Reclassifications

Certain Statement of Income reclassifications have been made in the presentation of our prior financial statements and accompanying notes to conform to the presentation as of and for the three months ended March 31, 2015.

### Recent Accounting Pronouncements

No new accounting pronouncement issued or effective during the fiscal quarter has had or is expected to have a material impact on the condensed consolidated financial statements.

## 2. Risks Inherent in the Operating Environment –

### Regulatory

The Company's Consumer Finance segment activities are highly regulated under numerous local, state, and federal laws, regulations and rules, which are subject to change. New laws, regulations or rules could be enacted or issued, interpretations of existing laws, regulations or rules may change and enforcement action by regulatory agencies may intensify. Over the past several years, consumer advocacy groups and certain media reports have advocated governmental and regulatory action to prohibit or severely restrict sub-prime lending activities of the kind conducted by the Company. The federal Consumer Financial Protection Bureau has indicated that it will use its authority to further regulate the payday industry.

Any adverse change in present local, state, and federal laws or regulations that govern or otherwise affect lending could result in the Company's curtailment or cessation of operations in certain or all jurisdictions or locations. Furthermore, any failure to comply with any applicable local, state or federal laws or regulations could result in fines, litigation, closure of one or more store locations or negative publicity. Any such change or failure would have a corresponding impact on the Company's results of operations and financial condition, primarily through a decrease in revenues resulting from the cessation or curtailment of operations, decrease in operating income through increased legal expenditures or fines, and could also negatively affect the Company's general business prospects if the Company is unable to effectively replace such revenues in a timely and efficient manner or if negative publicity effects its ability to obtain additional financing as needed.

In addition, the passage of federal or state laws and regulations or changes in interpretations of them could, at any point, essentially prohibit the Company from conducting its lending business in its current form. Any such legal or regulatory change would certainly have a material and adverse effect on the Company, its operating results and its financial condition and prospects.



3. Loans Receivable –

At March 31, 2015 and December 31, 2014, the Company's outstanding loans receivable aging was as follows:

**March 31, 2015**

|                | <b>Payday</b>       | <b>Installment</b> | <b>Pawn &amp;<br/>Title</b> | <b>Total</b>        |
|----------------|---------------------|--------------------|-----------------------------|---------------------|
| Current        | \$ 3,406,951        | \$ 224,884         | \$ 282,940                  | \$ 3,914,775        |
| 1-30           | 197,788             | 36,010             | -                           | 233,798             |
| 31-60          | 179,195             | 25,378             | -                           | 204,573             |
| 61-90          | 211,297             | 13,924             | -                           | 225,221             |
| 91-120         | 198,151             | 5,801              | -                           | 203,952             |
| 121-150        | 178,516             | 2,046              | -                           | 180,562             |
| 151-180        | 203,465             | 2,391              | -                           | 205,856             |
|                | <u>4,575,363</u>    | <u>310,434</u>     | <u>282,940</u>              | <u>5,168,737</u>    |
| Less Allowance | <u>(988,000)</u>    | <u>(77,000)</u>    | <u>-</u>                    | <u>(1,065,000)</u>  |
|                | <u>\$ 3,587,363</u> | <u>\$ 233,434</u>  | <u>\$ 282,940</u>           | <u>\$ 4,103,737</u> |

**December 31, 2014**

|                | <b>Payday</b>       | <b>Installment</b> | <b>Pawn &amp;<br/>Title</b> | <b>Total</b>        |
|----------------|---------------------|--------------------|-----------------------------|---------------------|
| Current        | \$ 4,387,393        | \$ 321,634         | \$ 372,805                  | \$ 5,081,832        |
| 1-30           | 305,382             | 47,321             | -                           | 352,703             |
| 31-60          | 223,465             | 24,791             | -                           | 248,256             |
| 61-90          | 236,072             | 11,799             | -                           | 247,871             |
| 91-120         | 206,705             | 5,438              | -                           | 212,143             |
| 121-150        | 200,101             | 1,984              | -                           | 202,085             |
| 151-180        | 204,804             | 572                | -                           | 205,376             |
|                | <u>5,763,922</u>    | <u>413,539</u>     | <u>372,805</u>              | <u>6,550,266</u>    |
| Less Allowance | <u>(1,147,000)</u>  | <u>(72,000)</u>    | <u>-</u>                    | <u>(1,219,000)</u>  |
|                | <u>\$ 4,616,922</u> | <u>\$ 341,539</u>  | <u>\$ 372,805</u>           | <u>\$ 5,331,266</u> |

4. Loans Receivable Allowance –

As a result of the Company's collection efforts, it historically writes off approximately 41% of the returned payday items. Based on days past the check return date, write-offs of payday returned items historically have tracked at the following approximate percentages: 1 to 30 days – 41%; 31 to 60 days – 65%; 61 to 90 days – 82%; 91 to 120 days – 88%; and 121 to 180 days – 91%.

A rollforward of the Company's loans receivable allowance is as follows:

|   | <b>Three Months Ended<br/>March 31, 2015</b> | <b>Year Ended<br/>December 31, 2014</b> |
|---|--|---|
| Loans receivable allowance, beginning of period | \$ 1,219,000                                 | \$ 1,215,000                            |
| Provision for loan losses charged to expense    | 326,210                                      | 1,817,822                               |
| Charge-offs, net                                | <u>(480,210)</u>                             | <u>(1,813,822)</u>                      |
| Loans receivable allowance, end of period       | <u>\$ 1,065,000</u>                          | <u>\$ 1,219,000</u>                     |

5. Intangible Assets –

Intangible assets consisted of the follows:

|                                       | <b>March 31, 2015</b>      | <b>December 31, 2014</b>   |
|---------------------------------------|----------------------------|----------------------------|
| <b>Amortizable Intangible Assets:</b> |                            |                            |
| Customer relationships                | \$ 5,136,912               | \$ 4,924,912               |
| Acquired franchisee agreements        | <u>5,227,112</u>           | <u>5,227,112</u>           |
| Amortizable Intangible Assets, net    | 10,364,024                 | 10,152,024                 |
| Less accumulated amortization         | <u>(5,789,363)</u>         | <u>(5,685,523)</u>         |
| Net Amortizable Intangible Assets     | 4,574,661                  | 4,466,501                  |
| Non-amortizable Trademarks            | <u>2,782,292</u>           | <u>2,782,292</u>           |
| Intangible Assets, net                | <u><u>\$ 7,356,953</u></u> | <u><u>\$ 7,248,783</u></u> |

6. Other Noncurrent Asset –

Other Non-Current Assets include \$162,000 for a note receivable. Our agreement with the borrower includes an approximate 50% forgiveness of principal if, among other terms and conditions, required payments under the agreement are received. The agreement provides for monthly payments of principal over a 5 year term.

7. Deferred Revenue and Other Liabilities –

Deferred revenue and other liabilities consisted of the following:

|                         | <b>March 31, 2015</b>    | <b>December 31, 2014</b> |
|-------------------------|--------------------------|--------------------------|
| Deferred financing fees | \$ 223,646               | \$ 284,231               |
| Deferred franchise fees | 321,600                  | 281,837                  |
| Other                   | <u>100,000</u>           | <u>72,000</u>            |
| Total                   | <u><u>\$ 645,246</u></u> | <u><u>\$ 638,068</u></u> |

8. Notes Payable – Long Term –

|  | <b>March 31, 2015</b>      | <b>December 31, 2014</b>   |
|--|----------------------------|----------------------------|
| Note payable (with a credit limit of \$3,000,000) to River City Equity, Inc., a related party, with interest payable monthly at 12% due June 30, 2015 and upon certain events can be collateralized by substantially all assets of WCR, excluding any equity interest in AGI | \$ 1,000,000               | \$ 2,000,000               |
| Subsidiary note payable to a financial institution with quarterly principal payments of \$375,000 plus interest at prime rate plus 2.5% (5.75% as of March 31, 2015), secured by the AGI's assets, maturing June 2017  | <u>2,750,000</u>           | <u>3,125,000</u>           |
| Total  | 3,750,000                  | 5,125,000                  |
| Less current maturities  | <u>(2,500,000)</u>         | <u>(3,500,000)</u>         |
|  | <u><u>\$ 1,250,000</u></u> | <u><u>\$ 1,625,000</u></u> |

The Company's term note payable with a financial institution includes certain financial covenants. Management has determined that the Company was in compliance with these financial covenants as of March 31, 2015.

As part of the lending agreement, AGI may draw on a \$1,000,000 line of credit (LOC). The LOC bears interest at the greater of (a) the prime rate plus 2.50% or (b) the LIBOR rate plus 5.50%. The LOC matures on August 30, 2017. There was no activity on this LOC during the period ended March 31, 2015 and there was no balance outstanding as of March 31, 2015.

9. Other Expense –

A breakout of other expense is as follows:

|                                | <b>For the Three Months Ended March 31,</b> |                   |
|--------------------------------|---|-------------------|
|                                | <b>2015</b>                                 | <b>2014</b>       |
| Bank fees                      | \$ 149,523                                  | \$ 112,493        |
| Collection costs               | 111,319                                     | 123,521           |
| Insurance                      | 82,795                                      | 47,453            |
| Management and consulting fees | 149,502                                     | 111,822           |
| Professional fees              | 406,032                                     | 184,565           |
| Supplies                       | 170,514                                     | 132,150           |
| Other                          | 871,536                                     | 234,279           |
|                                | <u>\$ 1,941,221</u>                         | <u>\$ 946,283</u> |

10. Segment Information –

The Company has grouped its operations into four segments in 2015 and three segments in 2014 – Franchise (acquired October 1, 2014), Cellular Retail, Consumer Finance, and Acquisitions and Management (beginning January 1, 2015). The Franchise segment offers franchise ownership opportunities for customized marketing solutions. The Cellular Retail segment is a dealer for Cricket Wireless selling cellular phones and accessories, ancillary services and serving as a payment center for customers. The Consumer Finance segment provides financial and ancillary services and also sells used merchandise at retail pawn stores. The Acquisitions and Management segment is Company activities related to acquisitions and subsequent management and oversight of acquired businesses.

Segment information related to the three months ended March 31, 2015 and 2014:

**For the Three Months Ended March 31, 2015**

|                                  | <b>Franchise</b> | <b>Cellular<br/>Retail</b> | <b>Consumer<br/>Finance</b> | <b>Acquisition<br/>and<br/>Management</b> | <b>Total</b>  |
|----------------------------------|------------------|----------------------------|-----------------------------|---|---------------|
| Revenues from external customers | \$ 3,195,661     | \$ 8,152,158               | \$ 3,094,012                | \$ -                                      | \$ 14,441,831 |
| Net income (loss)                | \$ 299,079       | \$ 326,632                 | \$ 285,781                  | \$ (73,056)                               | \$ 838,436    |
| Total segment assets             | \$ 10,044,892    | \$ 9,528,244               | \$ 15,529,919               | \$ -                                      | \$ 35,103,055 |

**For the Three Months Ended March 31, 2014**

|                                  | <b>Franchise</b> | <b>Cellular<br/>Retail</b> | <b>Consumer<br/>Finance</b> | <b>Acquisition<br/>and<br/>Management</b> | <b>Total</b>  |
|----------------------------------|------------------|----------------------------|-----------------------------|---|---------------|
| Revenues from external customers | \$ -             | \$ 6,454,533               | \$ 3,166,631                | \$ -                                      | \$ 9,621,164  |
| Net income (loss)                | \$ -             | \$ 136,036                 | \$ 352,797                  | \$ -                                      | \$ 488,833    |
| Total segment assets             | \$ -             | \$ 8,745,855               | \$ 14,969,327               | \$ -                                      | \$ 23,715,182 |

11. Commitments and Contingencies –

***Employment Agreements***

Effective February 9, 2015, the Company entered into a three-year employment agreement with Mr. Angel Donchev. Under the agreement, Mr. Donchev will serve as the Company's "Chief Investment Officer" charged with managing the Company's acquisition strategy and acquisition efforts. In that role, Mr. Donchev will earn a base salary of \$235,000, and be eligible for a discretionary annual performance-based cash bonus targeted at \$200,000. The employment agreement also contains other customary terms and conditions respecting company property, confidential information, early termination for cause, and early termination without cause, by either party, upon at least 30 days prior written notice.

The Company retained Mr. Donchev, who has significant experience in evaluating, negotiating and managing acquisition transactions, as part of its strategy to grow profitability through the acquisition of established companies, as well as diversify the industries and geographies in which its subsidiary holdings operate.

In connection with the employment agreement, the Company granted Mr. Donchev a stock option providing him with the ten-year right to purchase up to 65,000 shares of the Company's common stock at an exercise price of \$6.00 per share. The option vests in three annual and near-equal installments on each of February 8, 2016, 2017 and 2018. The stock option grant is evidenced by a stock option agreement entered into effective February 9, 2015. The option granted to Mr. Donchev was issued under the Company's new 2015 Stock Incentive Plan approved by the Board of Directors effective February 6, 2015.

On April 11, 2013, the Company entered into an Amended and Restated Employment Agreement with its Chief Executive Officer, Mr. John Quandahl. The amended and restated agreement has a term of three years and contains, among other terms and conditions, for a provision for an annual performance-based cash bonus pool for management. Pursuant to the management bonus plan, management bonuses of approximately \$95,000 and \$58,000 were accrued as of and for the three months ended March 31, 2015 and 2014, respectively.

The Company has also entered into several employment agreements with certain members of subsidiary management. The terms of each agreement are different. However, one or all of these agreements include stipulated base salary and bonus potential. Pursuant to the agreements, bonuses of approximately \$87,000 were accrued for the three months ended March 31, 2015.

## 12. Shareholders' Equity –

### **2015 Stock Incentive Plan**

The Board of Directors adopted the Company's new 2015 Stock Incentive Plan effective February 6, 2015. The plan replaces the Company's earlier adopted 2008 Stock Incentive Plan, which the board terminated effective February 6, 2015. There were no incentives issued or outstanding under the terminated plan.

The Board of Directors, or a committee of the board, will administer the 2015 Stock Incentive Plan and will have complete authority to award incentives, to interpret the plan and to make any other determination which it believes necessary and advisable for the proper administration of the plan. A total of 100,000 shares of common stock were reserved in connection with the adoption of the 2015 Stock Incentive Plan.

The new plan permits the granting of incentives in any one or a combination of the following forms:

- stock options, including options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, as "qualified" or "incentive" stock options;
- stock appreciation rights (often referred to as "SARs") payable in shares of common stock;
- restricted stock and restricted stock units;
- performance awards of cash, stock or property; and
- stock awards.

The following table summarizes nonvested stock option awards outstanding at March 31, 2015 and the changes for the three months then ended:

|  | <u>Number of Shares</u> | <u>Exercise Price</u> |
|--|-------------------------|-----------------------|
| Outstanding and nonvested at December 31, 2014 | -                       | \$ -                  |
| Granted  | 65,000                  | 6.00                  |
| Vested   | -                       | -                     |
| Forfeited                                      | -                       | -                     |
| Outstanding and nonvested at March 31, 2015    | <u>65,000</u>           | <u>\$ 6.00</u>        |

The option vests in three annual and near-equal installments on each of February 8, 2016, 2017 and 2018 and have a contract life of 10 years. There were no vested options at March 31, 2015 and thus no intrinsic value in outstanding vested options at March 31, 2015.

The Company accounts for its employee stock-based compensation plans using the fair value method. The fair value method requires the Company to estimate the grant-date fair value of its stock-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the Company's stock option awards. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, the risk-free interest rate and expected dividends. Due to the inherent limitations of option-valuation models, future events that are unpredictable and the estimation process utilized in determining the valuation of the stock-based awards, the ultimate value realized by award holders may vary significantly from the amounts expensed in the Company's financial statements. As of March 31, 2015, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$196,000, which is expected to be recognized over a weighted average period of approximately 2.9 years.

Stock-based compensation expense is recognized net of estimated forfeitures such that expense is recognized only for those stock-based awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimate.

## 13. Subsequent Events –

Effective May 1, 2015, the Company entered into a professional services agreement for approximately \$185,000. We evaluated all events or transactions that occurred after March 31, 2015 up through May 14, 2015, the date we issued these financial statements. During this period we did not have any other material subsequent events that impacted our financial statements.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

Some of the statements made in this report are “forward-looking statements,” as that term is defined under Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon our current expectations and projections about future events. Whenever used in this report, the words “believe,” “anticipate,” “intend,” “estimate,” “expect” and similar expressions, or the negative of such words and expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this report are primarily located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part I, Item 2), but may be found in other parts of this report as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management’s current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. We will not necessarily update forward-looking statements even though our situation may change in the future.

Specific factors that might cause actual results to differ from our expectations or may affect the value of the common stock include, but are not limited to:

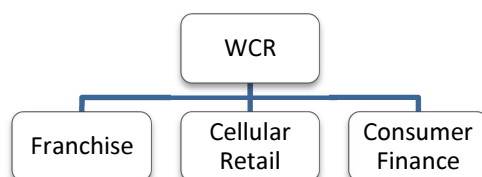
- changes in local, state or federal laws and regulations governing lending practices, or changes in the interpretation of such laws and regulations;
- litigation and regulatory actions directed toward us or the industries in which we operate, particularly in certain key states and/or nationally;
- our need for additional financing;
- unpredictability or uncertainty in financing markets which could impair our ability to grow our business through acquisitions;
- changes in Cricket dealer compensation; and
- the impact on us, as a Cricket dealer, of the AT&T acquisition of the Cricket Wireless business.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this report are more fully described in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Industry data and other statistical information used in this report are based on independent publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, derived from our review of internal surveys and the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information.

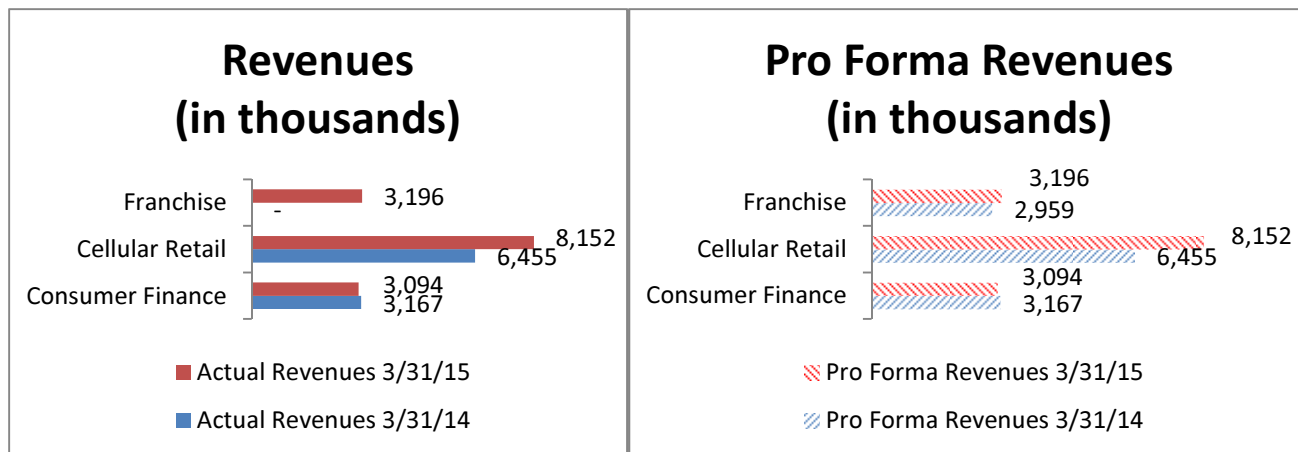
### **OVERVIEW**

Western Capital Resources, Inc. (“WCR” or “Western Capital”) is a holding company that operates, through its subsidiaries, in the following industries and operating segments:



Our “Franchise” segment involves the franchising of AlphaGraphics® customized print and marketing solutions offered through our majority owned subsidiary AlphaGraphics, Inc. (99.2% owned) (“AlphaGraphics” or “AGI”). Our “Cellular Retail” segment involves the retail sale of cellular phones and accessories to consumers through our wholly owned subsidiary PQH Wireless, Inc. (“PQH”). Our “Consumer Finance” segment consists of retail financial services conducted through our wholly owned subsidiaries Wyoming Financial Lenders, Inc. (“WFL”) and Express Pawn, Inc. (“EP”). On January 1, 2015, our Acquisitions and Management segment was formed which includes the corporate acquisition and due diligence team and management services provided to acquired subsidiaries. Throughout this report, we collectively refer to WCR and its consolidated subsidiaries as “we”, the “Company”, and “us.” References to specific companies within our enterprise, such as “AGI”, “PQH”, or “WFL” are references only to those companies.

Key actual and *pro forma* financial data for the three months ended March 31, 2015 and 2014 were as follows:



Discussion of Critical Accounting Policies

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis. The preparation of these financial statements requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis. We base these estimates on the information currently available to us and on various other assumptions that we believe are reasonable under the circumstances. Actual results could vary materially from these estimates under different assumptions or conditions.

Our significant accounting policies are discussed in Note 1, “Basis of Presentation, Nature of Business and Summary of Significant Accounting Policies,” of the notes to our condensed consolidated financial statements included in this report. We believe that the following critical accounting policies affect the more significant estimates and assumptions used in the preparation of our condensed consolidated financial statements.

Loan Loss Allowance

Included in loans receivable are unpaid principal, interest and fee balances of payday, installment, pawn and title loans that have not reached their maturity date, and “late” payday loans that have reached maturity within the last 180 days and have remaining outstanding balances. Late payday loans generally are unpaid loans where a customer’s personal check has been deposited and the check has been returned due to non-sufficient funds in the customer’s account, a closed account, or other reasons. All returned items are charged-off after 180 days, as collections after that date have not been significant. Loans are carried at cost plus accrued interest or fees less payments made and a loans receivable allowance.

We do not specifically reserve for any individual payday, installment or title loan. We aggregate loan types for purposes of estimating the loss allowance using a methodology that analyzes historical portfolio statistics and management’s judgment regarding recent trends noted in the portfolio. This methodology takes into account several factors, including (1) the amount of loan principal, interest and fee outstanding, (2) historical charge offs from loans that originated during the last 24 months, (3) current and expected collection patterns and (4) current economic trends. We utilize a software program to assist with the tracking of our historical portfolio statistics. A loan loss allowance is maintained for anticipated losses for payday and installment loans based primarily on our historical percentages by loan type of net charge offs, applied against the applicable balance of loan principal, interest and fees outstanding. We also periodically perform a look-back analysis on our loan loss allowance to verify the historical allowance established tracks with the actual subsequent loan write-offs and recoveries. We are aware that as conditions change, we may need to make additional allowances in future periods. Loan losses or charge-offs of pawn or title loans are not recorded because the value of the collateral exceeds the loan amount.

A rollforward of the Company's loans receivable allowance is as follows:

|   | <b>Three Months Ended<br/>March 31, 2015</b> | <b>Year Ended<br/>December 31, 2014</b> |
|---|--|---|
| Loans receivable allowance, beginning of period | \$ 1,219,000                                 | \$ 1,215,000                            |
| Provision for loan losses charged to expense    | 326,210                                      | 1,817,822                               |
| Charge-offs, net                                | (480,210)                                    | (1,813,822)                             |
| Loans receivable allowance, end of period       | <u>\$ 1,065,000</u>                          | <u>\$ 1,219,000</u>                     |

#### Valuation of Long-lived and Intangible Assets

We assess the impairment of long-lived and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is analyzed on an annual basis. Factors that could trigger an impairment review include significant underperformance relative to expected historical or projected future cash flows, significant changes in the manner of use of acquired assets or the strategy for the overall business, and significant negative industry trends. When management determines that the carrying value of long-lived and intangible assets may not be recoverable, impairment is measured based on the excess of the assets' carrying value over the estimated fair value.

#### **Results of Operations – Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014**

Net income attributable to our common shareholders was \$.84 million, or \$0.14 per share (basic and diluted), for the three months ended March 31, 2015 compared to \$.49 million, or \$0.16 per share (basic and diluted), for the three months ended March 31, 2014. The Franchise segment, acquired on October 1, 2014, contributed \$0.30 million, the Cellular Retail segment contributed \$0.33 million, an increase of \$0.19 million from the 2014 period, while the Consumer Finance segment contributed \$0.28 million, a decline of \$0.07 million from the 2014 period. The Acquisition and Management segment introduced January 1, 2015 had \$0.07 million in net costs. We expect the mix of segmented contributions to net income to change throughout 2015 due, at least in part, to anticipated acquisitions and increased costs within our Acquisition and Management segment as we accelerate our expansion initiative.

The following table provides quarter-over-quarter revenues and net income (in thousands) attributable to WCR common shareholders by operating segment:

|   | <b>Franchise</b> | <b>Cellular<br/>Retail</b> | <b>Consumer<br/>Finance</b> | <b>Acquisition<br/>and<br/>Management</b> | <b>Total</b> |
|---|------------------|----------------------------|-----------------------------|---|--------------|
| <b>Three Months Ended March 31, 2015</b>                  |                  |                            |                             |   |              |
| Revenues  | \$ 3,196         | \$ 8,152                   | \$ 3,094                    | \$ -                                      | \$ 14,442    |
| % of total revenue  | 22.1%            | 56.5%                      | 21.4%                       | -   | 100.0%       |
| Net income (loss)   | \$ 299           | \$ 326                     | \$ 286                      | \$ (73)                                   | \$ 838       |
| Net income (loss) attributable to WCR common shareholders | \$ 297           | \$ 326                     | \$ 286                      | \$ (73)                                   | \$ 836       |
| <b>Three Months Ended March 31, 2014</b>                  |                  |                            |                             |   |              |
| Revenues  | \$ -             | \$ 6,454                   | \$ 3,167                    | \$ -                                      | \$ 9,621     |
| % of total revenue  | -                | 67.1%                      | 32.9%                       | -   | 100.0%       |
| Net income  | \$ -             | \$ 136                     | \$ 353                      | \$ -                                      | \$ 489       |
| Net income attributable to WCR common shareholders        | \$ -             | \$ 136                     | \$ 353                      | \$ -                                      | \$ 489       |

#### Franchise

|                  | <b>Three Months Ended<br/>March 31,<br/>(in thousands)</b> |             | <b>2015 % of<br/>Revenues</b> | <b>2014 % of<br/>Revenues</b> |
|------------------|--|-------------|-------------------------------|-------------------------------|
|                  | <b>2015</b>  | <b>2014</b> |                               |                               |
| Revenues         | \$ 3,196   | \$ -        | 100.0 %                       | - %                           |
| Cost of revenues | 196  | -           | 6.1 %                         | - %                           |
| Expenses         | 2,701  | -           | 84.5 %                        | - %                           |
| Net income       | <u>\$ 299</u>  | <u>\$ -</u> | <u>9.4 %</u>                  | <u>- %</u>                    |



Our U.S. franchisees reported center sales for the three months ended March 31 as follows:

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
| Total gross U.S. network-wide center sales | \$ 63,864,000 | \$ 62,085,000 |

The table below summarizes the number of AlphaGraphics Business Centers owned and operated by franchisees during the three month periods ended March 31, 2015 and 2014:

|                       | <b>Beginning</b> | <b>New</b> | <b>Closed</b> | <b>Ending</b> |
|-----------------------|------------------|------------|---------------|---------------|
| <b>2015</b>           |                  |            |               |               |
| US Centers            | 242              | 5          | (2)           | 245           |
| International Centers | 32               | -          | -             | 32            |
| Total                 | 274              | 5          | (2)           | 277           |
| <b>2014</b>           |                  |            |               |               |
| US Centers            | 243              | 4          | (3)           | 244           |
| International Centers | 34               | 2          | (3)           | 33            |
| Total                 | 277              | 6          | (6)           | 277           |

Revenues and net income for the quarter were \$3.20 million and \$0.30 million, respectively, comparable to pro forma revenues and net income for the comparable period in 2014 of \$3.16 million and \$0.27 million, respectively. Gross U.S. network-wide center sales as provided by franchisees increased 3% over the comparable periods.

AlphaGraphics conducts two annual conferences for franchisees, one occurring in March and the other in August. Operating results for the quarter ended March 31, 2015 and 2014 were net of March conference expenses of \$165,000 and \$176,000, respectively.

### **Cellular Retail**

The following table summarizes our Cellular Retail segment operating results:

|                  | <b>Three Months Ended<br/>March 31,<br/>(in thousands)</b> |             | <b>2015 % of<br/>Revenues</b> | <b>2014 % of<br/>Revenues</b> |
|------------------|--|-------------|-------------------------------|-------------------------------|
|                  | <b>2015</b>  | <b>2014</b> |                               |                               |
| Revenues         | \$ 8,152   | \$ 6,454    | 100.0 %                       | 100.0 %                       |
| Cost of revenues | 4,313  | 3,429       | 52.9 %                        | 53.1 %                        |
| Expenses         | 3,513  | 2,889       | 43.1 %                        | 44.8 %                        |
| Net income       | \$ 326   | \$ 136      | 4.0 %                         | 2.1 %                         |

A summary table of the number of Cricket cellular retail stores we operated during the three month periods ended March 31, 2015 and 2014 follows:

|                    | <b>2015</b> | <b>2014</b> |
|--------------------|-------------|-------------|
| Beginning          | 61          | 57          |
| Acquired/ Launched | 7           | -           |
| Closed             | -           | (4)         |
| Ending             | 68          | 53          |

Revenues in the Cellular Retail segment increased \$1.70 million, or 26.3%, to \$8.15 million for the three months ended March 31, 2015, compared to \$6.45 million for the three months ended March 31, 2014. This increase is due to a several factors that contributed to an approximate 180% increase in units sold period over period. Factors include our acquisition of additional stores, relocation or closing of under-performing locations and the effects of AT&T's acquisition of Cricket Wireless, which effects include Cricket Wireless' post-acquisition offering of subsidized and/or lower priced handsets to existing Cricket customers migrating off the older CDMA network onto the current GSM network, and Cricket Wireless' increased post-acquisition advertising and marketing. The migration of Cricket customers, which we believe to have had a significant contribution to our increased unit sales, is expected to be substantially completed by mid-2015. Accordingly, we anticipate that there will be a decline in unit sales as a result but are not able to reasonably predict the extent of any such decrease.

Our expenses increased \$0.62 million from \$2.89 for the three-month period ended March 31, 2014 to \$3.51 million for the three-month period ended March 31, 2015, primarily as a result of adding the new stores with partial offset by the reduction in costs associated with the closure of a small number of underperforming stores. Stated as a percentage of Cellular Retail revenues, our expenses were 43.1% and 44.8% of revenue for the three months ended March 31, 2015 and 2014, respectively.



We operate in a highly competitive marketplace and our future growth and success is largely dependent on our relationship with Cricket and the dealer compensation package and operational requirements provided by Cricket Wireless. We expect to continue our strategic acquisitions of other dealers, the opening of additional Cricket stores in new and existing markets and the consolidation of store locations operating in the same markets to reduce our operating costs.

### **Consumer Finance**

The following table summarizes our Consumer Finance segment operating results:

|                  | <b>Three Months Ended<br/>March 31,<br/>(in thousands)</b> |             | <b>2015 % of<br/>Revenues</b> | <b>2014 % of<br/>Revenues</b> |
|------------------|--|-------------|-------------------------------|-------------------------------|
|                  | <b>2015</b>  | <b>2014</b> |                               |                               |
| Revenues         | \$ 3,094   | \$ 3,167    | 100.0 %                       | 100.0 %                       |
| Cost of revenues | 521  | 484         | 16.9 %                        | 15.3 %                        |
| Expenses         | 2,287  | 2,330       | 73.9 %                        | 73.6 %                        |
| Net income       | \$ 286   | \$ 353      | 9.2 %                         | 11.1 %                        |

A summary table of the number of consumer finance locations we operated during the three month periods ended March 31, 2015 and 2014 follows:

|                    | <b>2015</b> | <b>2014</b> |
|--------------------|-------------|-------------|
| Beginning          | 51          | 52          |
| Acquired/ Launched | -           | -           |
| Closed             | -           | -           |
| Ending             | 51          | 52          |

Our Consumer Finance segment revenues decreased 2.31% for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The reduction in our revenues for the three months ended March 31, 2015 was primarily due to customers receiving income tax refunds earlier this year than in 2014, resulting in an earlier reduction in loans outstanding year over year.

Our cost of revenues slightly increased due to an increase in net bad debts. Our operating expenses for the quarter decreased year over year primarily as a result of corporate allocations.

### **Acquisitions and Management**

Costs related to our new Acquisitions and Management segment were \$73,000 for the quarter. As acquisition activity increases, costs within this segment will show a corresponding increase.

### **Liquidity and Capital Resources**

Summary cash flow data is as follows:

|                                       | <b>Three Months Ended March 31,</b> |              |
|---------------------------------------|-------------------------------------|--------------|
|                                       | <b>2015</b>                         | <b>2014</b>  |
| <b>Cash flows provided (used) by:</b> |                                     |              |
| Operating activities                  | \$ 959,136                          | \$ 1,507,220 |
| Investing activities                  | (510,646)                           | (113,688)    |
| Financing activities                  | (1,385,797)                         | (1,050,000)  |
| Net increase (decrease) in cash       | (937,307)                           | 343,532      |
| Cash, beginning of period             | 4,273,350                           | 1,983,835    |
| Cash, end of period                   | \$ 3,336,043                        | \$ 2,327,367 |

At March 31, 2015, we had cash of \$3.34 million compared to cash of \$2.33 million on March 31, 2014. Our cash flows utilized for investing and financing activities increased for the three months ended March 31, 2015 compared to the same period in 2014 because of our 2015 purchase of seven additional Cricket retail store locations and a \$0.38 million principal payment by our subsidiary AGI, which was not part of the consolidated group as of March 31, 2014. We believe that our available cash, combined with expected cash flows from operations, will be sufficient to fund our liquidity and capital expenditure requirements through March 31, 2016. Our expected short-term uses of available cash include the funding of operating activities, including anticipated increases in payday loans, the financing of additional expansion activities and the reduction of debt.

Because of the constant threat of regulatory changes to the payday lending industry, we believe it will be difficult for us to obtain debt financing from traditional financial institutions. As a result, financing we may obtain from alternate sources is likely to involve higher interest rates.

#### *Credit Facility*

On October 18, 2011 (and later amended on December 7, 2012 and March 21, 2014), we entered in a borrowing arrangement with River City Equity, Inc. Under this arrangement as amended, we may borrow up to \$3,000,000 at an interest rate of 12% per annum, with interest payable on a monthly basis. The note contains no prepayment penalties, matures June 30, 2015, on which date all unpaid principal and accrued but unpaid interest thereon is due and payable. The note, under certain circumstances, permits River City Equity to obtain a security interest in substantially all of our assets. As of March 31, 2015, \$1 million was due under this arrangement. We presently anticipate that, prior to June 30, 2015, this credit facility will be extended under terms similar to the existing terms.

#### *Credit Facilities - AlphaGraphics*

AlphaGraphics is a party to term and revolving notes payable with a financial institution. Under the term debt agreements, \$2.75 million was outstanding at March 31, 2015. The notes accrue interest at prime rate plus 2.5% (5.75% as of March 31, 2015), require quarterly payments of \$375,000 principal plus accrued interest and mature in June 2017. Under the revolving debt agreement as amended, AlphaGraphics may borrow up to \$1,000,000, accruing interest at the higher of (a) prime rate plus 2.5% or (b) the LIBOR rate plus 5.5%. AlphaGraphics has not drawn on the revolving debt arrangement during the three-month period ended March 31, 2015. The revolving note matures in August 2017. The notes payable are secured by all the assets of AlphaGraphics, Inc.

#### **Off-Balance Sheet Arrangements**

The Company had no off-balance sheet arrangements as of March 31, 2015.

#### **Item 4. Controls and Procedures**

##### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance the objectives of the control system are met.

We utilize the Committee of Sponsoring Organization's *Internal Control – Integrated Framework, 2013 version*, for the design, implementation and assessment of the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

As of March 31, 2015, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures are effective as of March 31, 2015.

##### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| 10.1           | 2015 Stock Incentive Plan (incorporated by reference to Form 8-K filed on February 9, 2015).   |
| 10.2           | Employment Agreement with Angel Donchev, dated February 9, 2015 (incorporated by reference to Form 8-K filed on February 9, 2015).               |
| 10.3           | Stock Option Agreement with Angel Donchev, dated February 9, 2015 (incorporated by reference to Form 8-K filed on February 9, 2015).             |
| 31.1           | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <i>filed herewith</i> ).   |
| 31.2           | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <i>filed herewith</i> ).   |
| 32             | Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ( <i>filed herewith</i> ). |
| 101.INS        | XBRL Instance Document ( <i>filed herewith</i> ).  |
| 101.SCH        | XBRL Schema Document ( <i>filed herewith</i> ).  |
| 101.CAL        | XBRL Calculation Linkbase Document ( <i>filed herewith</i> ).  |
| 101.DEF        | XBRL Definition Linkbase Document ( <i>filed herewith</i> ).   |
| 101.LAB        | XBRL Label Linkbase Document ( <i>filed herewith</i> ).  |
| 101.PRE        | XBRL Presentation Linkbase Document ( <i>filed herewith</i> ).   |

## SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 14, 2015

**Western Capital Resources, Inc.**  
(Registrant)

By: /s/ John Quandahl  
John Quandahl  
Chief Executive Officer and Chief Operating Officer

By: /s/ Stephen Irlbeck  
Stephen Irlbeck  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**Certification**

I, John Quandahl, Chief Executive Officer of Western Capital Resources, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Capital Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: May 14, 2015

/s/ John Quandahl  
JOHN QUANDAHL  
*Chief Executive Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**Certification**

I, Stephen Irlbeck, Chief Financial Officer of Western Capital Resources, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Capital Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: May 14, 2015

/s/ Stephen Irlbeck  
STEPHEN IRLBECK  
*Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Western Capital Resources, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Quandahl, Chief Executive Officer of the Company and I, Stephen Irlbeck, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Quandahl

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John Quandahl  
Chief Executive Officer  
May 14, 2015

/s/ Stephen Irlbeck

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Stephen Irlbeck  
Chief Financial Officer  
May 14, 2015