UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______________________ to ___________________

Commission File Number 000-52015

WESTERN CAPITAL RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**47-0848102**
(State of incorporation)	(I.R.S. Employer Identification No.)
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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
None	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, no par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definition of "accelerated filer," large 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 Act). ☐ Yes ☒ No

The aggregate market value of the voting stock held by persons other than officers, directors and more than 5% shareholders of the registrant as of June 30, 2016 was approximately $10,706,000 based on the closing sales price of $5.25 per share as reported on the OTCQB. As of March 31, 2017, there were 9,390,997 shares of our common stock, no par value per share, outstanding.

DOCUMENTS INCORPORATED IN PART BY REFERENCE

None.

Western Capital Resources, Inc.
Form 10-K

Table of Contents

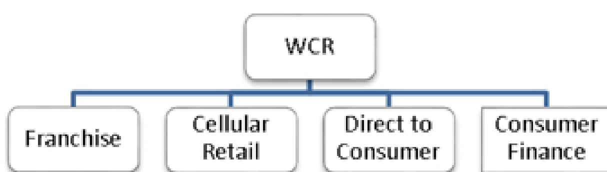
		Page
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	19
Item 2.	Properties	20
Item 3.	Legal Proceedings	20
Item 4.	Mine Safety Disclosures	20
PART II		
Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters	21
Item 6.	Selected Financial Data	22
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 8.	Financial Statements and Supplementary Data	30
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	31
Item 9A.	Controls and Procedures	31
Item 9B.	Other Information	32
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	33
Item 11.	Executive Compensation	36
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	37
Item 13.	Certain Relationships and Related Transactions and Director Independence	39
Item 14.	Principal Accountant Fees and Services	40
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	41
	Signatures	43

PART I

ITEM 1 BUSINESS

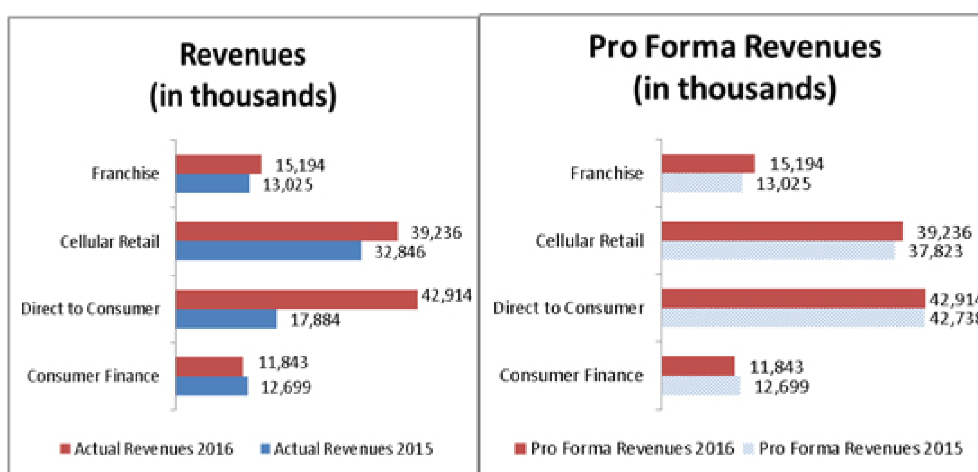
OVERVIEW

Western Capital Resources, Inc. ("WCR" or "Western Capital") is a holding company having a controlling interest in subsidiaries operating in the following industries and operating segments:



Our "Franchise" segment is comprised of AlphaGraphics, Inc. (99.2% owned), the franchisor of AlphaGraphics® customized print and marketing solutions. Our "Cellular Retail" segment is comprised of an authorized Cricket Wireless dealer and involves the retail sale of cellular phones and accessories to consumers through our wholly owned subsidiary PQH Wireless, Inc. and its subsidiaries. Our "Direct to Consumer" segment consists of (1) a wholly owned online and direct marketing retailer and distributor of live plants, seeds, holiday gifts and garden accessories operating in the retail market under the Park Seed, Jackson & Perkins and Wayside Gardens trade names, and in the wholesale market under the Park Wholesale trade name, and (2) a wholly owned online and direct marketing distribution retailer of home improvement and restoration products operating as Van Dyke's Restorers. Our "Consumer Finance" segment consists of retail financial services conducted through our wholly owned subsidiaries Wyoming Financial Lenders, Inc. and Express Pawn, Inc. Throughout this report, we collectively refer to WCR and its consolidated subsidiaries as "we," the "Company," and "us."

Key actual and *pro forma* financial data for the years ended December 31, 2016 and 2015 were as follows:



RECENT EVENTS

Cellular Retail Growth

In 2016, we acquired from other Cricket dealers or launched 55 Cricket retail locations and beginning November 22, 2016 we operated an additional 53 locations under a management agreement with another Cricket dealer. We continue seeking opportunities to continue our growth in this segment.

FRANCHISE SEGMENT

General Description

We offer business format franchise opportunities for AlphaGraphics® Business Centers within the United States and internationally. The AlphaGraphics franchise model permits our franchisees to market and provide customized marketing solutions utilizing AlphaGraphics' trademarks, operating methods and custom-developed or licensed information technology solutions. Through our preferred vendors, we provide site selection assistance including design and construction oversight, assist with locating financing, and provide training to our franchisees prior to the launch of their franchise Business Center location(s). Additionally, throughout the term of the franchise agreement, we provide ongoing training to franchisees, national and regional advertising, and operational procedures to Business Center owners. Franchisees locate and operate their franchise locations in designated territories within a predetermined geographical region. Franchisees are also responsible to develop and maintain their customer base and operate their Business Center(s) in accordance with the franchise agreement and such standards as we direct from time to time. We profit in this segment primarily through the collection of royalty fees, as further discussed below.

The table below summarizes the number of Business Centers operated by franchisees during the year ended December 31, 2016 and 2015:

	Beginning	**New**	**Closed**	**Ending**
2016				
US Centers	254	8	(6)	256
International Centers	25	1	(1)	25
Total	279	9	(7)	281
2015				
US Centers	242	17	(5)	254
International Centers	32	1	(8)	25
Total	274	18	(13)	279

In addition to opening new franchise locations, we also assist with the transfer process between current and future franchise owners when a franchisee seeks to sell their franchise center.

Our U.S. and international franchisees reported approximate sales volumes for the year ended December 31, 2016 and 2015 as follows:

	2016	**2015**
Total gross U.S. network-wide center sales	$ 277,124,000	$ 268,020,000
Total gross international network-wide center sales	31,003,000	30,694,000
Total gross network-wide center sales	$ 308,127,000	$ 298,714,000
Average center sales per U.S. center open 12 months or more	$ 1,192,000	$ 1,098,000

Products and Services

AlphaGraphics is a business-to-business print and marketing franchisor offering:

- Marketing solutions
- Print – digital, offset, and wide format
- Website development
- Brand imaging
- Direct mail marketing
- E-mail marketing campaigns
- Graphic design
- Social media management
- QR codes / SEO

The Franchise Process

Potential franchisees have the option to: (1) develop a new Business Center, (2) purchase an existing Business Center, (3) acquire an existing graphics and/or marketing related business and convert it to a Business Center, or (4) convert their own graphics and/or marketing related business to a Business Center. Our discovery process for new Business Center owners involves:

- Understanding potential franchisee's background and goals
- Discussing AlphaGraphics' vision, objectives and unique B2B value proposition and the profile, style, character and habits of successful AlphaGraphics franchise owners
- Completing our no-obligation, confidential online Request for Consideration
- Reviewing our Franchise Disclosure Document
- Participating in a Discovery Day at our Salt Lake City, Utah location
- Executing franchise agreement and paying required fees

Our new franchise owners must meet the following financial requirements:

- Investment range: $260,800 - $394,400 (excluding real estate costs)
- Minimum required net worth: $400,000
- Liquid capital: $150,000
- Credit score 700+

The Fees We Charge

We assess initial franchise fees, royalty fees, fees to support our dedicated AlphaGraphics Integrated Marketing Fund ("AIM"), Managed Service Fees ("MSF") and various other fees. Prior to May 2016, we offered Universal Service Credits ("USC" or "rebate") allowing franchisees to earn a percentage of timely paid royalties as credits which can be used to offset various service and other fees. Since May 2016, this practice has been discontinued for any new Franchisees.

Royalty fees are billed monthly with fees determined by multiplying a royalty rate against franchisee gross sales. For most franchisees, the rates used range from 8% down to 3%, with the rate decreasing as franchisee fiscal year-to-date gross sales reach established thresholds. The fiscal year for royalty fee calculations was July 1st to June 30th prior to 2016 and is the calendar year beginning in 2016. We may allow franchisees an election to apply their prior year's effective rate to their royalty payments with a true up at the end of the fiscal year to adjust to the actual rate schedule. This election is not available to any additional franchisees after 2015.

The table below outlines the initial non-refundable franchise fees fixed as of December 31, 2016.

	New Business Center Pathway	Transfer Pathway	Acquisition and Conversion Pathway	Conversion Pathway
Initial franchise fee [1]	$ 40,000	$ -	$ 40,000	$ 10,000
Transfer fee [2]	-	40,000	-	-
Training fee [3]	8,000	8,000	8,000	-
Total	$ 48,000	$ 48,000	$ 48,000	$ 10,000

(1) The franchise segment is a member of the International Franchise Association ("IFA") and participates in the IFA's VetFran program and MinorityFran Initiative. If an approved franchisee qualifies under either program, they are offered a $5,000 discount on the Initial Franchise Fee if the franchisee is acquiring a Business Center through either the New Business Center or Acquisition and Conversion Pathway.

(2) The current standard Transfer Fee is $40,000.

(3) Depends on terms within the selling franchisee's franchise agreement.

Competition

Franchise Industry

The franchise business model has grown in popularity over the past several decades. Franchising provides a small business owner with the opportunity to independently own and operate a business selling brand-name products or providing established services yet enjoy widespread support from the franchisor. According to USA Today, the ten most popular franchising opportunities are in the following industries:

- Fast food
- Retail – Food
- Business Services
- Building and Construction
- Retail
- Service
- Automotive
- Maintenance
- Restaurants
- Lodging

Because of the variety of industries participating in the franchising space with high visibility brand recognition, we face considerable competition in attracting new franchise owners.

Printing Industry

The quick printing industry is composed of establishments primarily engaged in traditional printing activities, such as short-run offset printing or pre-press services, in combination with document photocopying service. These establishments, known as "quick printers," generally provide short-run printing and copying with fast turnaround times.

The digital printing industry is composed of establishments primarily engaged in printing graphic materials using digital printing equipment. Establishments known as digital printers typically provide sophisticated pre-press services, including the use of scanners to input graphic images and computers to manipulate and format the images, prior to printing.

We face competition in the printing industry, an industry largely driven by small and mid-market business demands and costs to produce, and specifically in the quick and digital printing segments where we operate.

Investment in a franchise location is significant, both financially and in time commitment. We believe our franchise model, with its operational advantages and guidance, provides our franchisees with substantial advantages over competitors with stand-alone operations.

Industry Information

According to EPICOMM (an association for leaders in print, mail, fulfillment and marketing services), sales within the industry have shown modest gains and corresponding offsetting losses, with the greatest declines realized in 2008 and 2009, and an overall shift to consolidation of commercial printing establishments. Although digitization and the Internet have broken down barriers to entry, the printing industry has found itself in highly competitive markets with little tolerance for inefficiency and spoilage.

CELLULAR RETAIL SEGMENT

General Description

We operate cellular retail stores as an authorized Cricket dealer, selling cellular phones and accessories, providing ancillary services and accepting service payments from customers. Authorized Cricket dealers are permitted to sell the carrier's line and generally locate their store operations in areas with a strong potential customer base where the carrier does not maintain a corporate storefront. As an authorized Cricket dealer, we are only permitted to sell the Cricket line of no-contract cellular phones and service at our Cricket retail stores.

We generate revenue in this business through retail sales of cellular phones, receipt of back-end compensation from Cricket, sales of phone accessories (e.g., cases, car chargers and bluetooth speakers), fees charged when a customer changes services (service activations and reactivations, adding lines, phone number changes, etc.), or whenever a customer whom we activated on the Cricket GSM network pays his or her no-contract cellular bill.

A summary table of the number of cellular retail stores we operated during the periods ended December 31, 2016 and 2015 follows:

	2016	2015
Beginning	99	61
Acquired / Launched / Managed	108	54
Closed	(9)	(16)
Ending	198	99

Market Information and Marketing

Cricket Wireless service offers customers simple, predictable and affordable nationwide flat rate wireless plans. Cricket Wireless customers have had the added advantage of unlimited minutes, text messages and data on the AT&T network.

No-contract cellular products and services are primarily targeted to market segments that are underserved by traditional communications companies. In contrast, the majority of cellular customers in the U.S. subscribe to post-pay services that may require credit approval, a contractual commitment from the subscriber for a period of at least one year, and may include overage charges for excessive data usage in excess of a specified limit. We believe that a significant portion of the remaining growth potential in the U.S. cellular market consists of customers who are price-sensitive and prefer not to enter into fixed-term contracts. We believe that our cellular retail product and service offerings appeal strongly to this target-market segment.

Market Strategy

We believe that our business model is scalable and can be expanded successfully into new markets as we continue to perfect our operational protocols and administrative office functions relating to our cellular retail business. We expect to continue making strategic and opportunistic acquisitions of existing Cricket dealerships and to launch additional stores in new AT&T markets that are currently underserved by competing service providers.

Products and Services

Our authorized Cricket retail stores offer the following products and services:

- Cricket Wireless service plans, each designed to attract customers by offering simple, predictable and affordable wireless voice, text and data services that are a competitive alternative to traditional wireless and wireline services (e.g., flat-rate and unlimited voice/text plans, without fixed-term contracts, early termination fees or credit checks).

- Cricket Wireless plan upgrades (e.g., international calling minutes to Canada, unlimited calls to Mexico, and roaming service packages) and Deezer, an independent music service, on a no-contract basis.

- Cricket handsets and accessories.

When purchasing a phone, our customers have options among the latest in Apple, Android-based and Windows OS-based smartphones. Because there is no contract for the monthly service, customer phone purchases are paid in full at the time of purchase.

Seasonality

Our Cellular Retail segment operations are influenced by seasonal effects related to traditional retail selling periods and other factors that affect our target customer base. In particular, we generally expect sales activity to be highest in the first and fourth quarters. Nevertheless, our revenues can be strongly affected by the launch of new markets, promotional activity, the timing of federal tax-refunds and competitive actions, any of which have the ability to offset or exacerbate the seasonality we normally experience.

Competition

There is substantial and ever increasing competition in the wireless phone industry where customers can choose between many other postpaid and no-contract resellers, including AT&T, Verizon, Sprint/Boost Mobile, T-Mobile/Metro PCS and a larger number of regional providers. We compete for customers based principally on Cricket's service/device offerings, price, call quality and coverage area.

Competition for the no-contract customers, the sub-industry in which we operate, continues to grow. Other significant no-contract carriers include MetroPCS, Virgin Mobile and Boost Mobile. There is also competition with other no-contract phone service providers such as Straight Talk by Wal-Mart or Wal-Mart's Family Mobile powered by T-Mobile, an increase of national retailers offering similar or identical products and services that we provide, such as Cricket phones sold at Game Stop and Wal-Mart, and an increase in mobile virtual network operator ("MVNO") offerings.

Our Cricket store business also competes with other actual or potential authorized sellers and distributors of Cricket products and services. The authorization to sell Cricket products and services is granted by Cricket Wireless, LLC, a wholly owned entity of Leap Wireless International, Inc. On March 13, 2014, Leap Wireless International was acquired by AT&T. Presently, we believe that our ability to compete with other sellers of Cricket products and services will depend on the success with which we operate our current store locations. If we successfully manage those stores and continue to maintain a strong working relationship with Cricket, we expect that we may be able to effectively compete for additional store authorizations when and as they come available.

DIRECT TO CONSUMER SEGMENT

General Description

Our direct to consumer segment is a direct marketer of roses, plants, seeds, holiday gifts and home restoration products. The business is composed of: 1) a multi-channel retailer of garden and living gift products; 2) a small wholesale seed business; and 3) a multi-channel retailer of home hardware and restoration products. Our garden products brands are highly recognizable in the rose and garden space as both the Jackson & Perkins and Park Seed brands were founded more than 140 years ago.

Products and Services

Our direct to consumer segment sells product through catalogs and online under the following brands:

- **Jackson & Perkins**, 146 years of history and is the most recognized brand of premium garden roses. Jackson and Perkins is the largest seller of bare root roses in the United States, selling over 150 active varieties of bare root roses, of which 87 varieties are patented by Jackson and Perkins. In addition to bare root roses, we sell perennials, flower bulbs, outdoor living products as well as living holiday gifts plants. Holiday gifts include fresh evergreen wreathes, live decorative Christmas trees and holiday amaryllis;
- **Park Seed**, 149 years in the business and one of America's oldest and largest direct seed retailers. The # 2 brand within the direct to consumer seed business, Park Seed sells premium vegetable and flower seeds and various gardening supplies directly to consumers. Park Seed sells over 2,500 seed varieties. The wholesale seed business sells seeds, plants and other horticultural products in larger quantities to small-medium sized growers, nurseries and garden centers. Plants and seeds sales are concentrated during the spring months;
- **Wayside Gardens**, which sells unique, hard to find high-end flowers, plants and gardening supplies to the master gardener. The Wayside Gardens customer is extremely selective, very knowledgeable, and seeks high quality plants. Approximately 60% of sales occur in the three months from March to May, during the spring planting season; and
- **Van Dyke's**, sells home restoration products, focusing on hardware, decorative wood, home accents, knobs and pulls and kitchen, bath and other decor. Van Dyke's is an online and catalog retailer with a vast assortment of vintage home restoration wood products, hardware and antique furniture, many of which are hard to find.

Seasonality

Demand for live good and holiday products are cyclical in nature, sensitive to seasonal growing patterns, general weather conditions, holiday sales patterns and competitive influences. As such, the direct to consumer segment's results of operations, financial condition and cash flows could fluctuate significantly from period to period. The majority of segment revenue is derived in three selling periods, spring, fall, and the December holiday season, while the summer season accounts for a small portion of sales.

Market Strategy

As a direct to consumer retailer, we focus our marketing spending on mail order catalogs, internet advertising, and traditional advertising mediums (i.e. public relations, magazines, social media, etc.). We are focused on niche markets and direct our advertising to repeat and new customers through internet marketing strategies.

Competition

In the retail garden business, within the bare root rose category, we compete against brick and mortar garden centers and nurseries (approximately 10,000 across the United States), as well as other online and mail-order retailers, including David Austin Roses and Regan Nursery. Across other plant categories, we compete against Gardens Alive and their portfolio of brands, and other competitors. Our biggest competitive advantages are our recognizable Jackson & Perkins brand name and its proprietary patented rose varieties. The most direct competitor for Wayside Gardens is White Flower Farms, which also focuses on high-end, premium plants.

Within the holiday gift segment, we compete against larger competitors including Harry and David and 1-800 Flowers, among others. Within the seed business, our primary competitor is Burpee which, in addition to having an online presence, supplies lower-end seed products to mass market retailers, including Wal-Mart.

Our Van Dyke's Restorers brand competes primarily with other online retailers since brick and mortar stores cannot afford to carry Van Dyke's breadth of SKUs. Our competitors are Signature Hardware, House of Antique Hardware, and Rejuvenation Hardware (part of Williams Sonoma). The above-mentioned competitors compete primarily in the hardware, lighting and kitchen and bath categories. The decorative wood portion of the Van Dyke's business is in a very fragmented industry niche and there are no big decorative wood competitors. Van Dyke's competes primarily through the breadth of its product variety as well as through its established brand name and customer list.

CONSUMER FINANCE SEGMENT

General Description

The majority of short-term consumer loans we provide are commonly referred to as “payday loans” or “cash advance” loans. Such loans are referred to as “payday loans” because they are typically made to borrowers who have no available cash and promise to repay the loan out of their next paycheck. We also provide short-term installment and pawn loans as part of this operating segment.

We provide short-term consumer loans in amounts that typically range from $100 to $500 with the average loan amount, including fee, being approximately $416. Cash advance loans provide customers with cash in exchange for a promissory note with a maturity of generally two to four weeks and the customer's post-dated personal check for the aggregate amount of the cash advance, plus a fee. The fee varies from state to state based on applicable regulations, and generally ranges from $15 to $22 for each whole or partial increment of $100 borrowed. To repay the cash advance loan, a customer may pay with cash, in which case their personal check is returned to them, or allow the check to be presented to the bank for collection. Approximately 89% and 90% of our lending revenue in the Consumer Finance segment was derived from payday lending in 2016 and 2015, respectively. Payday lending revenue made up approximately 74% and 76% of our total revenue in the Consumer Finance segment in 2016 and 2015, respectively.

We offer short-term “installment” loans in Colorado and Wisconsin. Approximately 7% of our lending revenue in the Consumer Finance segment was derived from installment lending in 2016 and 2015. We provide our installment loan customers with cash in exchange for a promissory note with a maturity of generally six months. The fee and interest rate on installment loans vary based on applicable regulations. Like cash advance or payday loans, installment loans are unsecured.

We operate three pawn stores in our Consumer Finance segment. Our pawn stores provide collateralized non-recourse loans, commonly known as “pawn loans” with maturities of one to four months. Allowable service charges vary by state and loan size. The loan amount varies depending on our valuation of each item pawned. We generally lend from 30% to 55% of our estimate of the collateral's resale value. Customers have the option to redeem the pawned merchandise during the term or at maturity, or else forfeit the merchandise to us on maturity. At our pawn stores we sell merchandise that was acquired through either customer forfeiture of pawn collateral, second-hand merchandise purchased from customers or consigned to us, or new merchandise purchased from vendors. Pawn store revenues made up approximately 16% and 13% of our total revenue in the Consumer Finance segment in 2016 and 2015, respectively.

All of our Consumer Finance lending activities and other services are subject to state regulations (which vary from state to state), federal regulations and local regulation, where applicable.

As part of each payday and installment loan transaction, we enter into a standardized written promissory note with the borrowing customer and obtain proof of income and identity, a personal post-dated check for the principal loan amount plus a specified fee if a payday loan, and other documentation. Our standardized contracts vary based on state laws, but all of our contracts plainly state in simple terms the annual percentage rate (assuming the fees we charge are computed as interest) in compliance with Regulation Z, the borrower's right to rescind the transaction, a dispute-resolution clause, a notice of financial privacy rights, an affirmative representation about whether the borrower is a member of the U.S. military, and the consequences of defaulting on the loan. We retain copies of our written contracts and provide a signed copy to our customers.

In general, our lending process and standards are extraordinarily different from those used by banks. To our knowledge, banks typically order and carefully review credit reports on all loans, engage in extensive underwriting analysis, and will typically make independent verification of earnings history through phone calls, reviews of tax returns and other processes. As a result, we generally experience a higher default rate on our personal loans than banks do on their personal loans (see caption below, "Risks Associated with Our Loans—Default and Collection"). At December 31, 2016, we had an aggregate (of all loan types) of approximately:

- $4.24 million in current outstanding loan principal, fees and interest due to us
- $1.23 million of late loans (customers' repayment checks presented as NSF within the last 180 days or installment loan balances not past the final installment due date with one or more payments delinquent)

A summary table of the number of Consumer Finance locations operated during the periods ended December 31, 2016 and 2015 follows:

	2016	2015
Beginning	47	51
Acquired / Launched	-	-
Closed	(6)	(4)
Ending	41	47

The Fees We Charge

The fee we charge for a payday loan varies from state to state, based on applicable regulations, and generally ranges from $15 to $22 for each whole or partial increment of $100 borrowed. We do not charge interest in connection with our payday loans but do charge interest and fees where allowable on our short-term installment loans made in Colorado and Wisconsin. If, however, we calculate the loan fees we charge as an annual percentage rate of interest (APR), such rate would range from 177% for a 31-day loan transacted in Kansas (on the low end) to approximately 536% for a 14-day loan in Wyoming (on the high end), with the actual average loan amount and average actual loan fees we charge involving an imputed annual percentage rate of approximately 439% and 198% for a 14-day and 31-day loan, respectively. The term of a loan significantly affects the imputed APR of the fees we charge for our loans. For instance, when a $15 fee is charged for a two-week loan of $100, the resulting APR is 391%. When the same fee on $100 is charged for a four-week loan, the resulting APR is 195%. Currently, we do not charge the maximum fee permitted in all of the states where we operate. We do, however, charge a uniform fee for all transactions processed in any particular state that involve the same range of payday loan amounts and the same term.

Of the seven states in which we presently operate, only one state (Wisconsin) does not limit the loan fees we may charge or the term (i.e., the length) of the loans we may offer our customers

In Wisconsin and Colorado, we generally offer short-term installment loans in amounts from $300 to $750 payable in six equal monthly payments. Colorado loan terms include a 45% annual interest rate, an origination fee of 20% on loan amounts up to $300 and 7.5% on loan amounts thereafter, and a monthly maintenance fee. Wisconsin installment loans are payable over four to six months at an annual percentage rate of approximately 480%.

In Nebraska and Iowa we also offer pawn loans. Allowable service charges vary by state and loan size. Our pawn loans earn 24% per month and our average pawn loan amount typically ranges between $10 and $250, although may range as high as $2,000. The loan amount varies depending on our estimated value of each item pawned.

Many states have laws limiting the amount of fees that may be charged in connection with any lending transaction (including payday and pawn lending transactions) when calculated as an APR, and some states expressly prohibit payday lending. These limitations, combined with other limitations and restrictions, effectively prohibit us from utilizing our present business model for cash advance or "payday" lending in those jurisdictions. In addition, the federal "2007 Military Authorization Act" prohibits lenders from offering or making payday loans (or similar lending transactions) to members of the U.S. military when the interest or fees exceed a 36% APR. Like the state limitations discussed above, this limitation effectively prohibits us from providing our cash advance or "payday" lending to members of the U.S. military. As a result of these restrictions, we do not conduct business with U.S. military personnel.

The above-described payday fees are the only fees we assess and collect from our customers for payday loans. Nevertheless, we also charge a flat fee that ranges from $15 to $30 (depending on the state) for returned checks in the event that a post-dated check we attempt to cash as repayment for our loan is returned.

Extensions or "Rollovers" of Payday Loans

When a customer "rolls over" or extends the term of an outstanding loan, when permitted by state law, we treat that rollover or extension as a brand new loan and we again charge the above-described loan fee for that transaction. This rollover has no effect on the imputed APR of the loan in those cases where the extended term is equal to the initial term of the loan. For example, a $100 four-week loan that costs $20 to obtain is the APR equivalent of 261%. If a customer extends the term of that loan for an additional four-week period, the customer will have paid $40 total in fees to obtain the $100 eight-week loan—which is again the APR equivalent of 261%. In cases where a customer (1) extends or rolls over a loan for a length of time that is *less than* the original loan or (2) repays the extended loan prior to the expiration of the fully extended term, the imputed APR will increase. For example, if a customer who obtained an initial $100 four-week loan for $20 in loan fees (the APR equivalent of 261%) later extends the term of that loan for only two additional weeks and pays the additional $20 loan fee, that customer will have borrowed $100 for a six-week period at a total cost of $40—which is the APR equivalent of 347%. We do not charge any interest on the unpaid fee from the initial term of the loan because, as a condition to agreeing to a loan extension, we will only accept cash payment of the fee for extending the loan.

Most states prohibit payday lenders from extending or refinancing a payday loan. Nevertheless, one state in which we presently provide payday loans (North Dakota) permits a loan to be extended or "rolled over" for a specified period. Specifically, North Dakota permits only one loan extension.

Risks Associated With Our Loans—Default and Collection

Ordinarily, our customers approach us for a loan because they currently have insufficient funds to meet their present obligations, and so rarely if ever do our customers have sufficient funds in their checking accounts to cover the personal post-dated checks they provide us at the time of the loan transaction. The nature of our payday loan transactions presents a number of risks, including the ultimate risk that the loan will not be paid back. In addition, we do not obtain security for our payday loans principally because, even assuming our customers would have potential collateral to offer as security for a payday loan, the small size of each particular lending transaction does not justify the time, effort and expense of identifying the collateral and properly obtaining a security interest in such collateral. As a consequence, all of our payday loans are unsecured. This means that, absent court or other legal action compelling a customer to repay our loans, we rely principally on the willingness and ability of our customers to repay amounts they owe us. In this regard, in many cases the costs of merely attempting to collect the amounts owed to us exceed the amounts we would seek to collect—making it impractical to take formal legal action against a defaulted borrower.

When a customer defaults on a loan, we engage in collection practices that include contacting the customer for repayment and the customer's bank to determine whether funds are available to satisfy their personal post-dated check. If funds are available, we present the check to the bank for repayment and an official check from the bank is obtained to pay off the item. The costs involved in these initial collection efforts are minimal, involve some employee time and possibly a flat $15-30 bank fee to cover the cost of the cashier's check. If funds are not available, we generally attempt to collect returned checks for up to 90 days (or up to 180 days in cases where a bank account is still active and the customer has not initiated a stop payment on the postdated check provided), principally through continued attempts to contact the customer. If our attempts remain unsuccessful after 90 (or 180) days, we assign the item to a collection agency. Assignment to a collection agency may cost us 30-40% of the amount eventually collected (if any) from the customer. Ordinarily, we do not recoup any costs of collection from our customers.

Historically, we collect approximately 56% of the amount of all returned checks, which results in approximately 3.04% of our total payday loan principal and fee volume being uncollectible. In 2016, we generated approximately 148,000 payday loan transactions.

Industry Information

According to the Community Financial Services Association of America (CFSA), analysts estimate that 19 million households use short-term payday advances annually and industry analysts estimate that there are 20,600 payday advance locations across the United States, which extend approximately $38.5 billion annually in short-term credit to households experiencing cash-flow shortfalls. In addition to being a valuable source of credit for many consumers, the payday loan industry makes significant contributions to the U.S. and state economies employing more than 50,000 Americans who earn $2 billion in wages and generating more than $2.6 billion in federal, state, and local taxes. Industry trends indicate that there will likely be a net decrease in total payday lending stores over the next few years due to store closings resulting from a combination of regulatory or legal changes, a slowdown in new store growth, and general economic conditions.

Predatory Lending and Regulatory Concerns

In general, the payday lending industry suffers from the perception and widespread belief that payday lenders are in the nature of predatory lenders, offering loans to low income and poorly educated consumers at costs that are too high to be good for consumers. This perception and belief results in frequent efforts in the U.S. Congress and various state legislatures, often proposed by consumer advocacy groups and lobbyists for traditional financial institutions such as banks, to further regulate and restrict or prohibit payday lending outright. See “Item 1A – Risk Factors” for further information regarding regulatory risks.

We do not believe the payday lending is predatory, nor do we believe that our loans are too costly for consumers if they are judiciously obtained. In fact, we believe that bank overdraft fees by themselves are typically far more costly for consumers, and bouncing a check can often involve other negative consequences such as independent fees levied by the parties to whom a bad check is written, negative publicity, etc. In this regard, the FDIC released a November 2008 report called “Study of Bank Overdraft Programs.” The report indicates that the average amount obtained when bank customers overdraw their accounts is $60, and the average overdraft fee charged by the bank is $27. This equates to an APR of 1,173% and 587% for a two-week and four-week $60 bank “loan,” respectively. In sum, we believe that many of the bad perceptions about our industry are fueled primarily by:

- the effects of our loans on consumers who do not judiciously obtain payday loans
- a lack of genuine understanding about the choices faced by low and middle-income people facing a critical cash shortage
- anti-payday lending lobbying campaigns often funded by traditional financial institutions, such as banks and credit unions, that would economically benefit from the elimination of payday lending.

Seasonality

Our Consumer Finance segment results are subject to seasonality, with the first and fourth quarters typically being our strongest periods as a result of broader economic factors, such as holiday spending habits at the end of each year and income tax refunds during the first quarter.

Competition

Like most other payday lenders, we believe that the primary competitive factors in our business are location and customer service. We face intense competition in an industry with relatively low barriers to entry, and we believe that the payday lending markets are becoming more competitive as the industry matures and consolidates. We compete with other payday lending and check cashing stores, and with financial service entities and retail businesses that offer payday loans or similar financial services. For example, we consider credit card companies that offer payday features, credit unions, banks that offer small loans, and creditors and loan services that can extend payment terms on outstanding loans to be our competitors. In addition, we compete in part with services offered by traditional financial institutions, most particularly with respect to the “overdraft protection” services those institutions may offer and the charges they levy for checks written with insufficient funds.

Additional areas of competition have arisen. Businesses offer loans over the Internet as well as “loans by phone,” and these services compete with the services we offer. There also has been increasing penetration of electronic banking and related services into the check cashing and money transfer industry, including direct deposit of payroll checks, payroll or debit cards, stored-value cards, prepaid credit and debit cards, and electronic transfer of government benefits.

We also believe that customer service is critical to developing loyalty. In our industry, we believe that quality customer service means:

- assisting with the loan application process and helping our customers understand the loan terms
- treating customers respectfully
- processing transactions with accuracy, efficiency and speed

Our competitors for pawn store merchandise sales include numerous retail and wholesale stores, including jewelry stores, discount retail stores, consumer electronics stores, other pawn stores, other resale stores, electronic commerce retailers and auction sites.

The pawn industry in the United States is large and highly fragmented. The industry consists of approximately 13,000 pawn stores owned primarily by independent operators who own one to three locations. We consider the industry relatively mature. The three largest pawn store operators account for approximately 10% of the total estimated pawn stores in the United States.

Effect of General Economic Conditions on our Consumer Finance Segment

While our business experienced fluctuating changes in our provision for loan losses in recent years, our provision for loan losses as a percentage of payday, installment and pawn loan revenue was 16.3% for 2016 and 17.7% in 2015. In sum, we are uncertain how the current economic conditions will affect demand for our services or our loan losses for 2017.

Credit and financing available to us and our industry has been negatively impacted by recent federal and state legislation and regulation, including the overall negative perception associated with payday lending. For example, we are aware of federal and state regulatory pressures being exerted on our banking relationships due to the negative perception about payday lending. For more information, see "Regulation of Consumer Financing Activities" below.

REGULATION

We are subject to regulation by federal, state and local governments that affect the products and services we provide. Generally, these regulations are designed to protect consumers who deal with us and are not designed to protect our shareholders.

Regulation of Franchise Activities

Our franchise offerings are governed by federal and state laws that require us to provide prospective franchisees with information describing the franchisor-franchisee relationship, and certain financial and operating information about our franchise offering. Annually and when material events occur, we prepare, register or file, and amend our "Franchise Disclosure Document" in all states requiring registration.

Regulation of Consumer Financing Activities

In those states where we currently operate consumer finance activities, we are licensed as a payday lender or pawn broker where required and are subject to various state regulations regarding the terms and conditions of our payday, installment and pawn loans and our lending policies, procedures and operations. In some states, payday lending is referred to as "deferred presentment," "cash advance loans," "deferred deposit loans" or "consumer installment loans." State regulations normally limit the amount that we may lend to any single consumer and may limit the number of loans that we may make to any consumer at one time or in the course of a single year. State regulations also limit the amount of fees that we may assess in connection with any loan transaction and may limit a customer's ability to extend or "rollover" a loan with us. Often, state regulations also specify minimum and maximum maturity dates for payday loans and, in some cases, specify mandatory cooling-off periods between transactions.

Our payday lending practices must also comply with the disclosure requirements of the Federal Truth-In-Lending Act and Regulation Z under that Act. Our collection activities for delinquent loans are generally subject to consumer protection laws regulating debt-collection practices. Finally, our payday lending business subjects us to the Equal Credit Opportunity Act and the Gramm-Leach-Bliley Act.

During the last few years, legislation has been introduced and passed in the U.S. Congress and in certain state legislatures proposing or effecting various restrictions or an outright prohibition on payday lending. Currently, state laws in Arizona, Montana, Oregon South Dakota and Georgia have effectively eliminated the ability to conduct payday lending in those states. In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which consolidated most federal regulation of financial services offered to consumers, and replaced the Office of Thrift Supervision's seat on the FDIC Board. Almost all credit providers, including mortgage lenders, providers of payday loans, other nonbank financial companies, and banks and credit unions with assets over $10 billion, are now subject to new regulations to be passed by the Consumer Financial Protection Bureau ("CFPB"). While the CFPB does not appear to have authority to make rules limiting interest rates or fees charged, the scope and extent of the its authority will nonetheless be broad, and it is expected that it will address issues such as rollovers or extensions of payday loans and compliance with federal rules and regulations. The CFPB issued proposed rules in 2016 which, if issued in proposed form, would have a devastating impact on the industry. The period for public and industry comment on these proposed rules ended in late 2016, but neither final nor revisions to the proposed rules have been issued. Future restrictions on the payday lending industry could have serious consequences for us.

In addition, our Consumer Finance segment activities are subject to the following additional federal consumer laws and regulations:

- Unfair, Deceptive or Abusive Acts or Practices (UDAAP)
- Collections Fair Debt Collections Practice Act (FDCPA)
- Consumer Compliant Management
- Electronic Fund Transfer Act (EFTA) (Reg. E)
- Fair Credit Reporting Act (FCRA)
- Service Members Civil Relief Act

For more information, see "*PAYDAY LENDING BUSINESS—Predatory Lending and Regulatory Concerns*" above.

Financial Reporting Regulation

Regulations promulgated by the United States Department of the Treasury under the Bank Secrecy Act require us to report all transactions involving currency in an amount greater than $10,000. Generally, every financial institution must report each deposit, withdrawal, exchange of currency or other payment or transfer that involves an amount greater than $10,000. In addition, multiple currency transactions must be treated as a single transaction if we have knowledge that the transactions are by or on behalf of any one person and result, in a single business day, in the transfer of cash in or out totaling more than $10,000. In addition, the regulations require us to maintain information concerning sales of monetary instruments for cash in amounts from $3,000 to $10,000. The Bank Secrecy Act requires us, under certain circumstances, to file a suspicious activity report.

The Money Laundering Suppression Act of 1994 requires us, as a money service business, to register with the United States Department of the Treasury. Money services businesses include check cashers and sellers of money orders. Money services businesses must renew their registrations every two years, maintain a list of their agents, update the agent list annually, and make the agent list available for examination.

Finally, we have established various procedures designed to comply, and we continue to monitor and evaluate our business methods and procedures to ensure compliance with the USA PATRIOT Act.

Privacy Regulation

We are subject to a variety of federal and state laws and regulations restricting the use and seeking to protect the confidentiality of customer identity and other personal nonpublic customer information. We have identified our systems that capture and maintain nonpublic personal information, as that term is understood under the Gramm-Leach-Bliley Act and associated regulations. We disclose our public information policies to our customers as required by that law. We also have systems in place intended to safeguard this information as required by the Gramm-Leach-Bliley Act, which specifically governs certain aspects of our payday lending business.

TECHNOLOGY AND INFORMATION

We maintain an integrated system of retail points of sale and management software applications and platforms for processing the various types of financial transactions we offer. These systems provide us with customer service, internal control mechanisms, record-keeping and reporting information. These systems are designed to provide summary, detailed and exception information to various levels of management.

Franchisees utilize our internally developed intranet site that provides access to tools, resources and information including Business Center contact information, royalty calculations, AIM schedules, the MSF system and the franchisee USC rebate program.

SECURITY

We believe the principal security risks to our Consumer Finance and Cellular Retail segments are robbery and employee theft. We have established extensive security and management information systems to address both areas of potential loss. To protect against robbery, most payday lending store employees work behind bullet-resistant glass, and the back office, safe and computer areas are locked and closed to customers. Security measures utilized in our retail locations include mechanical safes, electronic alarm systems monitored by third parties or remote controlled systems, control over entry to customer service representative, motion detection devices, locked cases, and, at times, the use of professional security services. Consumer Finance segment employees also use cellular phones to ensure safety and security whenever they are outside secured areas.

We implemented critical safeguarding controls, including daily cash and deposit monitoring, unannounced audits of cash and inventory items, and requiring immediate responses from our staff when irregularities in cash balances are discovered. We primarily self-insure for employee theft and dishonesty at the store level.

EMPLOYEES

At December 31, 2016, we had approximately 780 employees. We believe our relationship with our employees is good, and we have not suffered any work stoppages or labor disputes. We do not have any employees that operate under collective-bargaining agreements.

CORPORATE INFORMATION

Our principal offices are located at 11550 “I” Street, Suite 150, Omaha, Nebraska 68137, and our telephone number at that office is (402) 551-8888.

Our fiscal year ends December 31. Neither we nor any of our predecessors have been in bankruptcy, receivership or any similar proceeding.

ITEM 1A RISK FACTORS

You should consider the following risk factors, in addition to the other information presented or incorporated by reference into this Annual Report on Form 10-K, in evaluating our business and your investment in us.

Investment Risks

Acquisitions and strategic investments may fail to meet our expectations, and any such failure could have a negative impact on our results of operation or financial condition, and could ultimately result in dilution to our shareholders.

Our long-term growth strategy includes acquisitions. We may not achieve this objective. An acquisition strategy includes numerous risks, including, among others, the risk that our financial projections relating to our acquisitions may turn out to be incorrect and our investment may fail to positively impact our results and growth as anticipated (and may in fact negatively impact our results), the risk of unexpected or unidentified issues not discovered in the diligence process which could harm our financial condition, and the need for substantial additional capital which may result in dilution to our shareholders.

Acquisitions and strategic investments made wholly or partly on the basis of our issuance of securities to the target companies, or acquisitions made with cash that is obtained from outside financiers, will result in dilution to our shareholders.

The structuring of future acquisitions, whether through share exchanges, merger acquisitions or otherwise, may result in dilution to existing shareholders. In addition, cash-based transactions may not be financed from corporate cash flows and reserves, and may themselves be financed through borrowing arrangements or the sale of equity or equity-linked securities, the latter of which would be dilutive to our shareholders.

Acquisitions and strategic investments may be disruptive to our business.

The time and expense associated with finding suitable acquisitions or with integrating acquired entities and operations with our Company can be disruptive to our ongoing business and divert our management's attention. In addition, the financing of acquisitions may impact our ability to obtain or renew financing for existing operations, or subject us to covenants restricting certain activities. Any of these outcomes could have a short- or long-term adverse effect on our results of operation and our ability to further execute our acquisition strategy.

Unpredictability in financing markets could impair our ability to grow our business through acquisitions.

We anticipate that opportunities to acquire businesses will materially depend on the availability of financing alternatives with acceptable terms. As a result, poor credit and other market conditions or uncertainty in the financing markets, or the adverse regulatory pressures of being involved in the payday lending business in particular, could materially limit our ability to grow through acquisitions since such conditions and uncertainty make obtaining financing more difficult and more expensive.

Our controlling shareholder possesses controlling voting power with respect to our common stock, which will limit other shareholders' influence on corporate matters.

Our controlling shareholders, WCR, LLC and BC Alpha Holdings I, LLC, which are under common control (see Item 12), had beneficial ownership of approximately 59.61% of our common stock as of March 31, 2017. As a result, the controlling shareholders have the ability to outright control our affairs through the election and removal of our entire Board of Directors and all other matters requiring shareholder approval, including the future merger, consolidation or sale of all or substantially all of our assets. This concentrated control could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our shareholders. Furthermore, this concentrated control will limit the practical effect of your participation in Company matters, through shareholder votes and otherwise.

Our articles of incorporation grant our Board of Directors the power to issue additional shares of common and preferred stock and to designate other classes of preferred stock, all without shareholder approval.

Our authorized capital consists of 12.5 million shares of capital stock. Pursuant to authority granted by our articles of incorporation, our Board of Directors, without any action by our shareholders, may designate and issue shares in such classes or series (including other classes or series of preferred stock) as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights, provided it is consistent with Delaware law. The rights of holders of other classes or series of stock that may be issued could be superior to the rights of holders of our common shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of our common stock. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of our capital stock and may dilute our book value per share.

Our common stock trades only in an illiquid trading market.

Trading of our common stock is conducted on the OTCQB, a tier of the OTC Markets (symbol: WCRS). This has an adverse effect on the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of us and our common stock. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

There is not now and there may not ever be an active market for shares of our common stock.

In general, there has been minimal trading volume in our common stock. During 2016, the average daily trading volume (based on trade volume as reported by OTC Markets) was approximately 683 shares. The small trading volume will likely make it difficult for our shareholders to sell their shares as and when they choose. Furthermore, small trading volumes are generally understood to depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

A default under our borrowing arrangements could require us to seek financing on a short-term basis that may be disadvantageous to us.

Our borrowing arrangements provide for a series of financial covenants and reporting requirements. If we are unable to comply with the terms or the financial covenants of those borrowing arrangements, we may need to seek additional financing. We may not be able to obtain financing on a short-term basis. Furthermore, even if we are able to obtain needed short-term financing, we may be unable to do so on terms that are favorable or acceptable to us.

Failure to achieve and maintain effective internal controls could limit our ability to detect and prevent fraud and thereby adversely affect our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports. Nevertheless, all internal control systems, no matter how well designed, have inherent limitations. Even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. As we continue executing on our acquisition strategy, our fraud risks will change and likely increase as the acquired entity may be unfamiliar or uncooperative with proper internal controls and procedures. Our inability to maintain an effective control environment may cause investors to lose confidence in our reported financial information, which could in turn have a material adverse effect on our stock price.

Our reliance on information management and transaction systems to operate our business exposes us to potential security breaches of our sensitive information from cyber incidents and hacking.

Effective information security internal controls are necessary for us to protect our sensitive information from illegal activities and unauthorized disclosure. Despite our efforts to maintain the highest level of security around our information systems, the sophistication of hackers continues to increase. Our inability to maintain effective controls or utilization of information technology providers that also maintain effective controls may increase our vulnerability to cyber-attacks. Breaches of our information management systems could adversely affect our business reputation. We could also be subject to lawsuits or fines relating to the unauthorized disclosure of information. Any of these outcomes could negatively affect our results of operations and the price of our common stock.

Any disruption in the availability of our information systems could adversely affect our operations.

We rely upon our information systems to manage and operate our business. Our security measures could fail to prevent a disruption in the availability of our information systems, our back-up systems could fail to operate properly, or we may experience denial of service attacks or corruption of our data. Any disruption in the availability of our information systems could adversely affect our results of operations by impairing our ability to efficiently effect transactions.

A significant portion of our assets consists of goodwill and other intangible assets.

As of December 31, 2016, 22.1% of our assets consisted of goodwill and other intangible assets. Under generally accepted accounting principles, the carrying value of goodwill is subject to periodic review and testing to determine if it is impaired. The value of our assets will depend on market conditions, regulatory environment, the availability of buyers and similar factors. While the value of these assets is based on management projections and assumptions and is determined by using the discounted cash flow method for purposes of our impairment testing, those values may differ from what could ultimately be realized by us in a sales transaction or otherwise and that difference, while not affecting cash flow, could have a material adverse impact on our operating results and financial position.

Industry Risks

The payday loan industry is highly regulated under federal, state and local laws. Changes in federal, state or laws and regulations governing lending practices, or changes in the interpretation of such laws and regulations, could negatively affect our business.

Our Consumer Finance segment activities are highly regulated under numerous federal, state and local 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.

Although states provide the primary regulatory framework under which we offer payday loans, certain federal laws also affect our business. For example, because payday loans are viewed as extensions of credit, we must comply with the federal Truth-in-Lending Act and Regulation Z under that Act. Additionally, we are subject to the Equal Credit Opportunity Act, the Gramm-Leach-Bliley Act and certain other federal laws.

From a federal standpoint, anti-payday loan legislation has occasionally been introduced in the U.S. Congress. 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 such as those we conduct. The CFPB has indicated that it will use its authority to further regulate the payday industry. Most payday lenders expect that the Bureau will eventually attempt to promulgate procedural or disclosure-based regulations affecting payday loans throughout the United States. In June 2016 the CFPB proposed rules, which, if enacted will result in significant reductions in the amount of loans originated by the industry in the U.S., which may put in question the viability of the entire industry and result in mass store closures.

In the states, there are nearly always bills pending to alter the current laws governing payday lending. Any of these bills, or future proposed legislation or regulations prohibiting payday loans or making them less profitable, could be passed in any state at any time, or existing laws permitting payday lending could expire. From time to time legislation banning payday loans has been introduced in Nebraska but has not been passed into law. Since we derive a significant percentage of our payday revenues in Nebraska, the passage of any such legislation in Nebraska would have a highly material and negative effect on our business.

Statutes authorizing payday loans typically provide state agencies that regulate banks and financial institutions with significant regulatory powers to administer and enforce the laws relating to payday lending. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes, that affect the way we do business and may force us to terminate or modify our operations in those jurisdictions. They may also impose rules that are generally adverse to our industry. Finally, in many states, the attorney general has scrutinized or continues to scrutinize the payday loan statutes and the interpretations of those statutes.

In sum, the passage of federal or state laws and regulations that govern or otherwise affect lending, or changes in interpretations of them, could, at any point, result in our curtailment or cessation of operations in certain or all jurisdictions or locations essentially prohibiting us from conducting its lending business in its current form. Any such legal or regulatory change would certainly have a material and adverse effect on us, our operating results, financial condition and prospects, and perhaps even our viability. Furthermore, any failure to comply with any applicable federal, state or local laws or regulations could result in fines, litigation, closure of one or more store locations and negative publicity.

Adverse changes in laws or regulations relating to pawn lending services could negatively impact our financial results and/or limit our ability to expand into new markets.

Our products and services are subject to extensive regulation and supervision under various federal, state and local laws, ordinances and regulations. We face the risk that restrictions or limitations on pawn loan amounts, pawn loan yields and customer acceptance of pawn loan products resulting from the enactment, change or interpretation of laws and regulations could have a negative effect on our business activities. In particular, short-term consumer loans have come under increased scrutiny and increasingly restrictive regulation in recent years. Adoption of such federal, state or local regulation or legislation could restrict, or even eliminate, our ability to conduct our pawn lending operations at a profit level we consider reasonable at some or all of our stores, and could prevent us from expanding into new markets.

Litigation and regulatory actions directed toward our industry or our company could adversely affect our operating results, particularly in certain key states.

During the last few years, our industry has been subject to regulatory proceedings, class action lawsuits and other litigation regarding the offering of payday loans, and we could suffer losses resulting from interpretations of state laws in those lawsuits or regulatory proceedings, even if we are not a party to those proceedings. The losses we could suffer could be directly incurred through our involvement in litigation or regulatory proceedings, or could be indirectly incurred through negative publicity regarding the industry in general that is generated by litigation on regulatory proceedings involving third parties.

In addition, regulatory actions or enforcement efforts taken with respect to money services businesses could negatively affect our ability to operate our consumer finance segment in our current form. For example, federal bank regulators are imposing significant costs and regulatory pressure on banks that do business with money services businesses, even though our business is conducted in a manner compliant with applicable law. As a result, fewer and fewer banks are willing to accept or even retain customers in the money services business industry. We may be forced to change long-standing banking relationships and change the way we operate our consumer finance operations, incurring additional capital expenditures and paying higher banking fees.

Public perception of payday lending as being predatory or abusive could adversely affect our business.

In recent years, consumer advocacy groups and media reports have advocated governmental action to prohibit or severely restrict payday loans. The consumer groups and media reports typically focus on the cost to a consumer for this type of loan, which is higher than the interest typically charged by credit card issuers. The consumer groups and media reports typically characterize these transactions as predatory or abusive toward consumers. If this negative characterization of our business becomes widely accepted by consumers, demand for our payday loans could significantly decrease, which could adversely affect our results of operations primarily by decreasing our revenues. Negative perception of our business activities could also result in our industry being subject to more restrictive laws and regulations and greater exposure to litigation.

Competition in the consumer finance industry is intense and could cause us to lose market share and revenues.

We believe that the primary competitive factors in the payday loan industry are store location and customer service. We face intense competition in the payday and pawn lending industry, and we believe that those markets are becoming more competitive as these industries mature and begin to consolidate. The payday loan industry has low barriers to entry, and new competitors, such as Wal-Mart, may easily enter the market. The pawn lending industry has medium level barriers to entry, however, there are several large pawn lending companies with which we directly compete. We also currently compete with services, such as overdraft protection offered by traditional financial institutions, and with other payday loan and check cashing stores and other financial service entities and retail businesses that offer payday loans or other similar financial services, as well as a rapidly growing internet-based payday loan market. Some of our competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. As a result, we could lose market share and our revenues could decline, thereby affecting our earnings and potential for growth.

We face significant cellular retail competition that may reduce our market share and lower our profits.

We face significant competition in our Cellular Retail segment. We compete with the four national wireless service providers (AT&T, Sprint, T-Mobile and Verizon Wireless) as well as other smaller carriers such as US Cellular and Metro PCS and with many MVNOs such as Walmart’s Straight Talk and Family Mobile plans. We also compete with government-financed “lifeline assurance” programs that offer free or reduced-cost cellular services to individuals and families receiving many types of public assistance. Our ability to compete effectively will depend on, among other things, the pricing of cellular services and equipment, the quality of our customer service, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences, demographic trends and economic conditions.

The cellular retail industry also faces competition from other communications and technology companies seeking to capture customer revenue and brand dominance with respect to the provision of cellular accessories and services. For example, Apple Inc. is packaging software applications and content with its handsets, and Google Inc. has developed and deployed an operating system and related applications for mobile devices.

General economic conditions affect our loan losses, and accordingly, our results of operations could be adversely affected by a general economic slowdown or other negative economic conditions such as high unemployment.

Provision for loan losses, net of recoveries, is one of our largest operating expenses, constituting approximately 17% of our loan revenues for the year ended December 31, 2016, with payday loan losses comprising most of the losses. Any changes in economic factors that adversely affect our customers, such as an economic downturn or high unemployment, could result in higher loan loss experiences than anticipated, which could in turn adversely affect our loan charge-offs and operating results.

A sustained deterioration in the economy could reduce demand for our products and services and result in reduced earnings.

A sudden or sustained deterioration in the economy could result in decreased demand for our seed, live plant, holiday gifts and home restoration products. This could result in decreased revenue and, because a significant portion of our sales in the Direct to Consumer segment are of live goods, inventory losses on live product acquired prior to a seasonal selling period could be significant.

In addition, it could cause worsening performance of our pawn loans and in consumer demand for and resale value of pre-owned merchandise that we sell in our stores. This, in turn, could reduce the amount that we could effectively lend on an item of collateral. Such reductions could adversely affect pawn loan balances, pawn loan redemption rates, inventory balances, revenues and gross profit margins.

We may be exposed to litigation and federal employment actions involving our franchisees.

Due to the fact that our AlphaGraphics business offers and sells franchises, we are subject to federal regulation and certain state laws which govern the offer and sale of franchises. One of the legal foundations fundamental to the franchise business model has been that, absent special circumstances, a franchisor is generally not responsible for the acts, omissions or liabilities of its franchisees, whether with respect to the franchisees' employees or otherwise. However, in August 2015, the National Labor Relations Board (NLRB) changed its long-standing joint-employer standard in a widely discussed decision, Browning Ferris Industries of California, Inc. In that decision, the NLRB asserted that two or more entities are joint employers of a single workforce if they share or co-determine, even indirectly, those matters governing the essential terms and conditions of employment. If the NLRB's new position is applied broadly to franchise relationships, it could significantly change the way our AlphaGraphics business conducts business. For example, the General Counsel of the NLRB continues to prosecute complaints in Regional Offices across the country (first issued in December 2014) charging that McDonald's and its franchisees are joint employers and seeking to hold McDonald's liable for unfair labor practices allegedly committed by its franchisees. The position taken by the NLRB General Counsel has set in motion what are expected to be lengthy hearings before the NLRB. If this expanded definition of "joint employer" continues to be upheld and applied to franchise business models, including our AlphaGraphics business, it could result in our AlphaGraphics business having responsibility for damages, reinstatement, back pay and penalties in connection with labor law violations by its franchisees over whom it has no control and could have a material and adverse effect on the operating results, financial condition and prospects of that business and our Company.

Company Risks

The concentration of our Consumer Finance revenues in certain states could adversely affect us.

We currently provide payday lending services in seven states. For the year ended December 31, 2016, revenues from our locations in Nebraska represented approximately 35.8% of our total Consumer Finance segment revenues. For the foreseeable future, we expect that a material portion of our revenues will continue to be generated in Nebraska. For the year ended December 31, 2016, revenues from our Nebraska, North Dakota, Iowa and Wyoming stores represented approximately 36%, 20%, 16% and 13% of our total Consumer Finance revenues, respectively. As a result, changes to prevailing economic, demographic, competitive, regulatory or any other conditions, including the legislative, regulatory or litigation risks mentioned above, in the markets in which we operate, and in Nebraska in particular, could lead to a reduction in demand for our services and result in a decline in our revenues or an increase in our provision for doubtful accounts, or even an outright legal prohibition on the conduct of our business. Any of these outcomes could in turn result in a material and swift deterioration of our Consumer Finance segment financial condition principally by impairing its revenues and affecting its ability to obtain financing and operating liquidity, its operating results and its business prospects (again, principally by reducing our revenues and impairing its ability to grow its business).

If estimates of our loan losses are not adequate to absorb actual losses, our financial condition and results of operations may be adversely affected.

We maintain an allowance for loan losses at levels to cover the estimated incurred losses in the collection of our payday and installment loan portfolios outstanding at the end of each applicable period. At the end of each period, management considers recent collection history to develop expected loss rates, which are used to establish the allowance for loan losses. Our allowance for loan losses was $1.04 million on December 31, 2016. Our allowance for loan losses is an estimate, and if actual loan losses are materially greater than our allowance for losses, our financial condition and results of operations could be adversely affected.

We face substantial risk through reliance on a single wireless retail carrier.

We operate our Cellular Retail segment exclusively as an authorized dealer for Cricket, which means that this segment of our operations is entirely dependent upon continued operations as a Cricket dealer under our dealer agreement with Cricket Wireless, and the health of our relationship with Cricket Wireless. If Cricket Wireless were to change certain aspects of its dealer arrangements, including items such as pricing, product supply, credit terms and dealer compensation structure (all of which are primarily determined by Cricket Wireless) in a manner that is adverse to us, our margins and results of operations would likely suffer. In addition, if Cricket Wireless were to begin growing its relationship with other operators, or were to embark upon an effort to significantly grow corporate-owned locations, our prospects for growth in this segment would suffer.

Outside factors may affect our ability to obtain product and fulfill orders in our direct to consumer segment.

In our Direct to Consumer segment we have an agreement with a third party wholesale grower that is in effect until 2019 and contains options to renew the agreement for consecutive two-year terms and the agreement calls for a 24 month notice prior to termination. The grower that maintains our research crop is owned by a company which operates several direct to consumer entities that compete with us directly. Disruptions, whether caused by the third party wholesaler, weather or other environmental or climate influences could limit the supply of product we rely upon to fulfill orders.

Our Van Dyke's portion of our Direct to Consumer segment has an agreement with a single third-party fulfillment provider. The contract with the fulfillment provider expires in 2018. The fulfillment provider receives and stores inventory, performs periodic cycle counts, picks, packs and ships customer orders. Additional services such as, order taking, processing of customer payments, personalization, customer services, and order processing are also performed by the fulfillment provider.

Because we maintain a significant supply of cash in our locations, we may experience losses due to employee error and theft.

Because our business requires us to maintain a significant supply of cash in our stores, we are subject to the risk of cash shortages resulting from employee error and theft. We periodically experience employee error and theft in stores, which can significantly increase the operating losses of those stores for the period in which the employee error or theft is discovered. We self-insure for employee error and theft at the store level. If our controls to limit our exposure to employee error and theft at the store level and at our corporate headquarters do not operate effectively or are structured ineffectively, our operating margins could be adversely affected by costs associated with increased security and preventative measures.

Regular turnover among our location managers and employees makes it more difficult for us to operate our locations and increases our costs of operation.

We experience a relatively stable workforce among our location managers and employees. Turnover interferes with implementation of operating strategies. Increases in our workforce turnover in the future would likely increase our operating pressures and operating costs and could restrict our ability to grow. Additionally, high turnover would create challenges for us in maintaining high levels of employee awareness of and compliance with our internal procedures and external regulatory compliance requirements. In sum, high turnover would increase our training and supervisory costs, and result in decreased earnings with corresponding greater risks of regulatory non-compliance.

We may not succeed in promoting and strengthening our franchise brand, which could prevent us from retaining existing and securing new franchise owners and increasing revenues.

A primary component of our business strategy is to promote and strengthen our franchise brand. If we are unable to promote our brand or provide franchise owners with a high-quality experience, tools and resources they require, we may fail to attract new franchisees, maintain existing franchise relationships, or sustain or increase our revenues.

Our growth and success also depends upon the ability of our franchisees to operate their franchise successfully to our standards and promote our brand. Although we have established criteria to evaluate prospective franchisees, and our franchise agreements include certain operating standards, each franchisee operates his/her franchise location independently. Various laws limit our ability to influence the day-to-day operation of our franchise locations. We cannot assure you that our franchisees will be able to successfully operate their location in a manner consistent with our concepts and standards, which could reduce their sales and correspondingly, our franchise royalties, and could adversely affect our operating income and our ability to leverage our brand.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

Our headquarters is in Omaha, Nebraska. We lease a 12,420-square-foot space which is used as our corporate headquarters as well as headquarters for our Cellular Retail and Consumer Finance segments, with additional space available, which is sufficient for our projected near-term future growth. Our monthly lease amount is currently $12,225 and the lease expires on January 31, 2020. The corporate phone number is (402) 551-8888.

Our Direct to Consumer segment, acquired on July 1, 2015, owns 100-acre property with a 382,790 sq. ft. facility in Greenwood, South Carolina. This facility is utilized as JPPA's distribution and warehouse facility and the corporate offices of JPPA and RAI. The real estate is encumbered with an outstanding mortgage in the amount of $2.97 million as of December 31, 2016.

ITEM 3 LEGAL PROCEEDINGS

We are involved in a variety of legal claims and proceedings incidental to our business, including customer bankruptcy and employment-related matters from time to time, and other legal matters that arise in the normal course of business. We believe these claims and proceedings are not out of the ordinary course for a business of the type and size in which we are engaged. While we are unable to predict the ultimate outcome of these claims and proceedings, management believes there is not a reasonable possibility that the costs and liabilities of such matters, individually or in the aggregate, will have a material adverse effect on our consolidated financial condition or consolidated results of operations.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS

MARKET INFORMATION

Our common stock is listed for trading under the symbol "WCRS" on the "OTCQB," which is the OTC Markets' middle-tier over-the-counter quotation platform. The transfer agent and registrar for our common stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209. The following table sets forth the high and low bid prices for our common stock as reported by the OTC Bulletin Board in 2016 and 2015. These quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission, and may not represent actual transactions. Trading in the Company's common stock during the period represented was sporadic, exemplified by low trading volume and many days during which no trades occurred.

On January 20, 2016, our shareholders approved a plan to reincorporate Western Capital Resources, Inc. in Delaware at a special meeting of the shareholders called for that purpose. The reincorporation was completed May 11, 2016. In September 2016 for the sole purpose of removing partial shares of common stock, we amended our Certificate of Incorporation to effect a reverse stock split of outstanding shares of common stock at a ratio of 5,000,000:5,000,001. In March 2017 we repurchased 106,873 shares directly from a single shareholder at a price of $4.50 per share.

	Market Price (high/low)	
For the Fiscal Year	**2016**	**2015**
First Quarter	$ 2.95 – 2.25	$ 5.00 – 3.00
Second Quarter	$ 7.00 – 2.47	$ 5.00 – 3.51
Third Quarter	$ 5.25 – 3.00	$ 5.00 – 3.10
Fourth Quarter	$ 5.00 – 4.35	$ 3.50 – 2.60

HOLDERS

As of the date of this report, we had 9,390,998 shares of common stock outstanding held by approximately 285 holders of record.

DIVIDENDS

Holders of our common stock are entitled to share pro rata in dividends and distributions with respect to the common stock when, as and if declared by our Board of Directors out of funds legally available therefor. In each of June, September and December 2016 and March 2017 we paid dividends of 2.5 cents per common share.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below sets forth certain information, as of the close of business on December 31, 2016, regarding equity compensation plans (including individual compensation arrangements) under which our securities were then authorized for issuance.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights** (b)	**Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (excluding securities reflected in column a)** (c)
Equity compensation plans approved by securityholders	65,000	6.00	35,000[(1)]
Equity compensation plans not approved by securityholders	None	n/a	None

(1) In February 2015, our Board of Directors adopted the 2015 Stock Incentive Plan. The 2015 Stock Incentive Plan was approved by our shareholders on January 20, 2016. Refer to Note 13 of Notes to Consolidated Financial Statements included in this report for additional information. We are not required by applicable state law or the listing standards of any self-regulatory organization or quotation service (e.g., the OTC Markets, NASD, AMEX or NYSE) to obtain the approval of our security holders prior to issuing any compensatory options, warrants or other rights to purchase our securities.

DESCRIPTION OF EQUITY SECURITIES

Our authorized capital stock consists of 12.5 million shares of capital stock, $0.01 par value per share (unless otherwise determined by the Board of Directors). All shares of common stock have equal voting rights and are entitled to one vote per share on all matters to be voted upon by our shareholders. Shares of our common stock have no preemptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Cumulative voting in the election of directors is not permitted. In the event of our liquidation, each holder of our common stock is entitled to receive a proportionate share of our assets available for distribution to stockholders after the payment of liabilities. All shares of our common stock issued and outstanding are fully paid and non-assessable.

ITEM 6 SELECTED FINANCIAL DATA

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and related notes that appear elsewhere in this report. This discussion contains forward-looking statements that involve significant uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in "Risk Factors" elsewhere in this report. For further information, see "Forward-Looking Statements" below.

OVERVIEW

In 2016 our growth was focused in the Wireless Retail segment. We began the year operating 99 Cricket retail locations and closed out the year operating 198. The growth came from a combination of launching new locations, acquiring existing stores from Cricket or from other Cricket dealers and from the operating of existing stores of another Cricket dealer under a management agreement until they are acquired in 2017. Approximately 75% of the store additions occurred in the 4th quarter. This growth is a continuation of our 2015 efforts where we added a net of 38 store locations. We expect growth in this segment to continue throughout 2017.

Our consolidated 2016 revenue growth, however, related primarily to other 2015 activities. On July 1, 2015, we acquired the businesses of our Direct to Consumer segment by completing a merger and contribution transaction. This segment accounted for $25 million of revenue increase year over year, where 2015 included only the six months of revenue from the date of the transaction forward. On a pro forma basis, year over year revenue from this segment increased 0.4% or $176,000.

Our Consumer Finance segment experienced a 7% decline in segment revenues in 2016. The industry in which this segment operates is continually under regulatory and public perception threats and further contraction in revenues and contribution to net earnings attributable to shareholders is expected. The loss of our ability to operate at a profit in the state of South Dakota due to the passage of a grass-roots voter referendum implementing a rate cap on consumer lending in the state is an example of the threats facing the industry. Due to the negative trends and ever increasing public, legislative and regulatory threats, the value of this segment has decreased, resulting in a 100% impairment to the value of the goodwill of this segment. An impairment charge of $7.56 million has been taken in 2016. Net of income tax, the reduction to net income available to Western shareholders is $4.68 million or $0.49 per weighted average common shares outstanding.

RESULTS OF OPERATIONS:
YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

Net income attributable to our common shareholders was $1.46 million, or $0.15 per share, in 2016 compared to $3.52 million, or $0.45 per share, in 2015. The 2016 EPS of $0.15 is after a Consumer Finance segment goodwill impairment charge, net of the provision for income taxes, of $4.68 million or $0.49 EPS. As further discussed in the discussion and analysis by segment that follows, the Franchise and Direct to Consumer segments each had year over year increases in actual and pro forma revenues and net income available to shareholders while the Cellular Retail segment had an increase in revenue and decrease in net income available to shareholders and the Consumer Finance segment had a decline in both.

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

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Corporate	Total
Year Ended December 31, 2016						
Revenue	$ 15,194	$ 39,236	$ 42,914	$ 11,843	$ -	$ 109,187
% of total revenue	13.9%	35.9%	39.3%	10.9%	-%	100.0%
Net income (loss)	$ 2,538	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,479
Net income attributable to noncontrolling interests	$ 21	$ -	$ -	$ -	$ -	$ 21
Net income (loss) attributable to WCR common shareholders	$ 2,517	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,458
Earnings (loss) per share attributable to WCR common shareholders – basic and diluted	$ 0.26	$ 0.07	$ 0.24	$ (0.35)	$ (0.07)	$ 0.15
Year Ended December 31, 2015						
Revenue	$ 13,025	$ 32,846	$ 17,884	$ 12,699	$ -	$ 76,454
% of total revenue	17.0%	43.0%	23.4%	16.6%	-%	100.0%
Net income	$ 2,270	$ 1,110	$ 243	$ 952	$ (1,038)	$ 3,537
Net income attributable to noncontrolling interests	$ 17	$ -	$ -	$ -	$ -	$ 17
Net income attributable to WCR common shareholders	$ 2,253	$ 1,110	$ 243	$ 952	$ (1,038)	$ 3,520
Earnings per share attributable to WCR common shareholders – basic and diluted	$ 0.29	$ 0.14	$ 0.03	$ 0.12	$ (0.13)	$ 0.45

Pro forma financial information as though our acquisitions of JPPA, RAI, JPRE and Green Communications had occurred on January 1, 2015 follows. Refer to Notes 16 and 17 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for additional reportable segment and acquisition and pro forma information.

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Corporate	Total
Year Ended December 31, 2016						
Pro forma revenue	$ 15,194	$ 39,236	$ 42,914	$ 11,843	$ -	$ 109,187
% of total pro forma revenue	13.9%	35.9%	39.3%	10.9%	-%	100.0%
Pro forma net income (loss)	$ 2,538	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,479
Pro forma net income (loss) attributable to noncontrolling interests	$ 21	$ -	$ -	$ -	$ -	$ 21
Pro forma net income (loss) attributable to WCR common shareholders	$ 2,517	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,458
Pro forma earnings (loss) per share attributable to WCR common shareholders – basic and diluted	$ 0.26	$ 0.07	$ 0.24	$ (0.35)	$ (0.07)	$ 0.15
Year Ended December 31, 2015						
Pro forma revenue	$ 13,025	$ 37,823	$ 42,738	$ 12,699	$ -	$ 106,285
% of total pro forma revenue	12.3%	35.6%	40.2%	11.9%	-%	100.0%
Pro forma net income	$ 2,270	$ 1,167	$ 2,177	$ 952	$ (736)	$ 5,830
Pro forma net income attributable to noncontrolling interests	$ 17	$ -	$ -	$ -	$ -	$ 17
Pro forma net income attributable to WCR common shareholders	$ 2,253	$ 1,167	$ 2,177	$ 952	$ (736)	$ 5,813
Pro forma earnings per share attributable to WCR common shareholders – basic and diluted	$ 0.24	$ 0.12	$ 0.23	$ 0.10	$ (0.08)	$ 0.61

Franchise

The following table summarizes our actual Franchise segment operating results:

	Year Ended December 31, (in thousands)		2016 % of Revenues	2015 % of Revenues
	2016	2015		
Revenues:				
Royalty and franchise development	$ 11,183	$ 10,771	73.6%	82.7%
Other revenue	4,011	2,254	26.4%	17.3%
	15,194	13,025	100.0%	100.0%
Cost of revenues	2,508	1,197	16.5%	9.2%
Gross profit	12,686	11,828	83.5%	90.8%
Salaries, wages and benefits expense	4,519	4,485	29.7%	34.4%
Occupancy	240	224	1.6%	1.7%
Depreciation and amortization expense	456	441	3.0%	3.4%
Interest expense	94	202	0.6%	1.6%
Other (income) expense	3,264	2,833	21.5%	21.8%
Provision for income taxes	1,575	1,373	10.4%	10.5%
	10,148	9,558	66.8%	73.4%
Net income	$ 2,538	$ 2,270	16.7%	17.4%

The Franchise segment contributed $2.54 million of net income for the year ended December 31, 2016 and $2.27 million of net income for the year ended December 31, 2015 on revenues of $15.19 million the year ended December 31, 2016 compared to $13.03 million for the year ended December 31, 2015. The year over year increase in revenue from royalties and franchise development fees was 3.8% while the increase in other revenues, which are low margin services billings to franchisees, increased 77.9%. Total gross U.S. network-wide Center sales as reported by franchisees increased from $268 million in 2015 to $277 million in 2016, a 3.4% increase. AGI added a net of 2 new franchised business centers in 2016 bringing the number of franchisees of U.S. Centers to 281 as of December 31, 2016.

Cellular Retail

The following table summarizes our Cellular Retail segment operating results:

	Year Ended December 31, (in thousands)		2016 % of Revenues	2015 % of Revenues
	2016	2015		
Revenues:				
Retail sales, fees and commissions	$ 30,003	$ 27,178	76.5%	82.7%
Other revenue	9,233	5,668	23.5%	17.3%
	39,236	32,846	100.0%	100.0%
Cost of revenues	15,238	15,415	38.9%	46.9%
Gross profit	23,998	17,431	61.1%	53.1%
Salaries, wages and benefits expense	13,015	8,779	33.2%	26.7%
Occupancy expense	5,734	4,077	14.6%	12.4%
Depreciation and amortization expense	786	430	2.0%	1.3%
Interest expense	284	284	0.7%	0.9%
Other (income) expense	3,103	2,119	7.9%	6.5%
Provision for income taxes	437	632	1.1%	1.9%
	23,359	16,321	59.5%	49.7%
Net income	$ 639	$ 1,110	1.6%	3.4%

Segment contribution to net income was $0.64 million and $1.11 million for the year 2016 and 2015, respectively. Two factors have contributed to the year over year decrease in earnings on increased sales. In June of 2016 we made an expansion commitment to Cricket to launch a total of 150 new Cricket retail stores by September 2017. As of December 31, 2016 we opened 33 new locations under this commitment with another 40 in the first quarter of 2017. With the launch of each new location, we incur operating costs similar to a "mature" location, yet revenues ramp up gradually over time, resulting in losses. A second contributing factor is losses realized in a few specific markets where we already have existing locations. While the vast majority of markets in which we operate are profitable, there are some areas that have struggled.

Year-over-year revenues in the Cellular Retail segment increased $6.39 million, or 19.5%, to $39.2 million. This increase is due to a growth in number of locations operated, including the 41 store acquisition effective June 1, 2015, the 53 locations operated since November 22, 2016 under a management agreement and the various other store additions through small acquisitions or new store launches that have occurred over the periods.

Other revenue in this segment includes customer paid fees and compensation received from Cricket that is based on Cricket customer payments of their monthly service fees. In 2015 many customer paid fees were waived during the Cricket migration of customers to their new GSM network, explaining a significant portion of the year over year increase. The growing customer base on which we received compensation from Cricket, which is tied to our growth, is the other contributing factor to the year over year increase.

Cost of revenues as a percentage of retail sales, fees and commissions decreased from 56.7% in 2015 to 50.8% in 2016, resulting in higher margins in 2016. Included in sales, fees and commissions is dealer compensation from Cricket on unit sales and activations. The increase in margin year over year is a result of changes or increased compensation from Cricket year over year.

Our two most significant operating expense categories for this segment are salaries, wages and benefits and occupancy expenses. Salaries, wages and benefits expense increased 48.3% from 2015 due to the additional stores operated and expansion commitment. Stated as a percentage of Cellular Retail revenues, salaries, wages and benefits expense was 33.2% and 26.7% for year 2016 and 2015, respectively. Occupancy expenses, which include base rents, additional rents (common area maintenance, insurance and real estate taxes assessed operating per lease agreements), telephone, utility and repair and maintenance expenses, were 14.6% and 12.4% of Cellular Retail revenues for the year 2016 and 2015, respectively, the increase related to the growth in locations operated.

Direct to Consumer

The following table summarizes our actual Direct to Consumer segment operating results:

	Year Ended December 31, (in thousands)		2016 % of	2015 % of
	2016	2015	Revenues	Revenues
Revenues:				
Sales	$ 42,730	$ 17,721	99.6%	99.1%
Other revenue	184	163	0.4%	0.9%
	42,914	17,884	100.0%	100.0%
Cost of revenues	21,473	8,960	50.0%	50.1%
Gross profit	21,441	8,924	50.0%	49.9%
Salaries, wages and benefits expense	6,297	2,802	14.7%	15.7%
Occupancy expense	860	584	2.0%	3.3%
Depreciation and amortization expense	428	214	1.0%	1.2%
Interest expense	150	90	0.4%	0.4%
Other (income) expense	10,264	4,784	23.9%	26.7%
Provision for income taxes	1,197	207	2.8%	1.2%
	19,196	8,681	44.8%	48.5%
Net income	$ 2,245	$ 243	5.2%	1.4%

The Direct to Consumer segment contributed $2.25 million of net income for the year ended December 31, 2016 compared to $0.24 million for the prior year short period from July 1, 2015 (date of acquisition) through December 31, 2015 and compared to pro forma 2015 net income of $2.18 million. The pro forma information for 2015 is calculated as if the acquisition effective July 1, 2015 had occurred at the beginning of 2015 and there were no transaction expenses. Comparing current year to pro forma 2015, segment revenues were relatively flat while net income increased 3.2%

Consumer Finance

The following table summarizes our Consumer Finance segment operating results:

	Year Ended December 31, (in thousands)		2016 % of	2015 % of
	2016	2015	Revenues	Revenues
Revenues:				
Retail sales	$ 1,481	$ 1,344	12.5%	10.6%
Financing fees and interest	9,882	10,773	83.4%	84.8%
Other revenue	480	582	4.1%	4.6%
	11,843	12,699	100.0%	100.0%
Cost of revenues	2,453	2,739	20.7%	21.6%
Gross profit	9,390	9,960	79.3%	78.4%
Salaries, wages and benefits expense	3,868	4,197	32.7%	33.0%
Occupancy expense	1,489	1,636	12.6%	12.9%
Depreciation and amortization expense	90	113	0.7%	0.9%
Interest expense	-	-	-%	-%
Goodwill impairment charge	7,559	-	63.8%	-%
Other (income) expense	1,729	2,488	14.6%	19.6%
Provision for income taxes	(2,027)	574	(17.1)%	4.5%
	12,708	9,008	107.3%	70.9%
Net income	$ (3,318)	$ 952	(28.0)%	7.5%

Our 2016 income statement includes a noncash goodwill impairment charge of $7.56 million. As more fully explained in Note 7 of the Notes to Consolidated Financial Statements included in this report, during the fourth quarter of 2016, the company completed its annual impairment test of goodwill resulting in an impairment charge of 100% of the goodwill in the Consumer Finance segment. There were several factors that contributed to this charge, including a voter approved measure in the state of South Dakota that resulted in our cessation of operations in that state, the overall negative rates of growth of sales, profit and cash flows from our payday operations, lowered expectations for future performance and negative state and industry factors. There was a deferred tax benefit of $2.88 million related to this impairment charge.

Our Consumer Finance segment revenues decreased 6.7% year over year with our exit from the state of Utah at the end of September 2015, our exit from the state of South Dakota at the end of 2016, the closing of 2 underperforming locations in 2016 and an overall decrease in loan fee and ancillary fee revenue in 2016 each contributing to the decline.

As revenues decline, the company has focused on reducing net bad debt (cost of revenue) and operating expenses to minimize anticipated declines in cash flows provided by operations of this segment.

Consolidated Income Tax Expense

Income tax expense on continuing operations increased to $0.86 million in 2016 compared to $2.48 million in 2015 for an effective rate of 36.8% and 41.2%, respectively. The 2015 effective rate included the impact of nondeductible transaction costs incurred in 2015, and thus was a higher effective rate.

LIQUIDITY AND CAPITAL RESOURCES

Summary cash flow data is as follows:

	Year Ended December 31,	
	2016	2015
Cash flows provided (used) by :		
Operating activities	$ 9,856,008	$ 5,416,134
Investing activities	(5,359,812)	(994,195)
Financing activities	1,816,110	(847,620)
Net increase in cash	6,312,306	3,574,319
Cash, beginning of year	7,847,669	4,273,350
Cash, end of year	$ 14,159,975	$ 7,847,669

At December 31, 2016, we had cash of $14.16 million compared to cash of $7.85 million on December 31, 2015. For 2017, we believe that our available cash, combined with expected cash flows from operations and credit available under our credit facilities, will be sufficient to fund our liquidity and capital expenditure requirements through March of 2018, including the acquisition and expansion commitments in the Wireless Retail segment (refer to Note 18 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for additional information regarding the 2017 acquisition and growth commitment of Cricket retail stores). Our expected short-term uses of available cash include the funding of operating activities (including cyclical increases in payday loans), the financing of expansion activities, including new store openings or store acquisitions, the payment of dividends and the reduction of term debt.

Approximately 90% of cash flow used for investing activities in 2016 was in the Retail Wireless segment and includes $2.9 million related to a 53 store acquisition agreement entered into in 2016 and closed on in March 2017

At December 31, 2016 our outstanding debt was $10.52 million compared to $8.00 million at December 31, 2015. The increase being utilized for growth of our Wireless Retail operations. Available credit at December 31, 2016 under credit facilities in place on that date was $4.51 million.

On March 29, 2016 we entered into a revolver and acquisition Credit Agreement with a financial institution. The Credit Agreement contains a $9 million dollar acquisition facility commitment and a $3 million revolver credit commitment. Interest accrues on advanced funds at LIBOR plus 3.5%. The Acquisition Facility Commitment matures on the later of (i) March 29, 2018 and (ii) the extended maturity date as determined pursuant to the Credit Agreement, which allows for one year extensions if certain conditions are met, but in no event will an Acquisition loan maturity extend beyond 5 years from the date of an Acquisition Loan. Acquisition Loans advanced under the facility are repayable in equal monthly amounts necessary to fully amortize such Acquisition Loans over a term up to five years. The Credit Facility contains customary financial and negative covenants and is secured by substantially all assets of the company and its subsidiaries.

CRITICAL ACCOUNTING POLICIES

Our 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 consolidated 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 consolidated 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, “Nature of Business and Summary of Significant Accounting Policies,” of the notes to our 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 consolidated financial statements:

Receivables and Loss Allowance

Franchise

Accounts receivable are recorded for earned but uncollected royalties and other related franchise fees. Allowances are provided on an account-by-account basis for estimated uncollectible accounts as deemed necessary by management. We consider current economic trends and changes in payment terms when evaluating the adequacy of the allowance.

Direct to Consumer

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Consumer Finance

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. Instead, 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 its 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 also 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.

See Note 3 "Loans Receivable" and Note 4 "Loans Receivable Allowance" of the notes to our consolidated financial statements included in this report for our outstanding loans receivable aging and loans receivable allowance rollforward as of and for the year ended December 31, 2016 and December 31, 2015.

Valuation of Long-lived and Intangible Assets

We assess the possibility of impairment of long-lived and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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 events or trends. In addition, we conduct an annual goodwill impairment test as of October 1 each year. We assess our goodwill for impairment at the reporting unit level by applying a fair value test. This fair value test involves a two-step process. The first step is to compare the carrying value of our net assets to our fair value. If the fair value is determined to be less than the carrying value, a second step is performed to measure the amount of the impairment, if any.

As more fully disclosed in Note 7 "Goodwill and Intangible Assets" of the notes to our consolidated financial statements included in this report, during the fourth quarter of 2016, the Company completed its annual impairment test of the Consumer Finance segment, resulting in an impairment charge of $7,559,063, or 100% of the goodwill in that segment. During the fourth quarter of 2016, the Company also completed the annual impairment assessments for all other segment intangible assets, determining there was no other impairment.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

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 headings "Description of Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," but are 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 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 our industry or us, particularly in certain key states
- Our need for additional financing
- Change in our authorization to be a dealer for Cricket Wireless
- Change in authorized Cricket dealer compensation
- Unpredictability or uncertainty in financing markets which could impair our ability to grow our business through acquisitions.

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 and of this report.

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.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX OF FINANCIAL INFORMATION

CONTENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	F-2
Consolidated Statements of Income	F-3
Consolidated Statements of Shareholders’ Equity	F-4
Consolidated Statements of Cash Flows	F-5
Notes to Consolidated Financial Statements	F-6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Western Capital Resources, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Western Capital Resources, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 2016 and 2015. These financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Capital Resources, Inc. and Subsidiaries as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years ended December 31, 2016 and 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ KLJ & Associates, LLP

KLJ & Associates, LLP
Edina, MN
March 31, 2017

5201 Eden Avenue
Suite 300
Edina, MN 55436
630.277.2330

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 14,159,975	$ 7,847,669
Loans receivable (less allowance for losses of $1,036,000 and $1,177,000, respectively)	4,438,276	4,884,438
Accounts receivable (less allowance for losses of $96,000 and $272,000, respectively)	1,716,867	1,963,192
Inventory	9,095,460	7,617,850
Prepaid expenses and other	3,727,284	2,589,749
TOTAL CURRENT ASSETS	33,137,862	24,902,898
NOTES RECEIVABLE	2,920,112	-
PROPERTY AND EQUIPMENT, net	9,696,620	8,561,321
GOODWILL	5,796,528	13,355,591
INTANGIBLE ASSETS, net	7,536,945	8,018,616
OTHER	1,122,585	783,907
TOTAL ASSETS	$ 60,210,652	$ 55,622,333
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 13,002,381	$ 8,403,788
Other current liabilities	2,242,372	2,405,597
Income taxes payable	265,813	1,135,031
Note payable – short-term	55,819	-
Current portion long-term debt	1,780,000	4,900,008
Current portion capital lease obligations	54,020	23,860
Deferred revenue	1,427,358	1,796,338
TOTAL CURRENT LIABILITIES	18,827,763	18,664,622
LONG-TERM LIABILITIES		
Notes payable, net of current portion	8,681,545	3,096,452
Capital lease obligations, net of current portion	94,762	33,347
Deferred income taxes	1,775,000	3,889,000
Other	143,080	80,403
TOTAL LONG-TERM LIABILITIES	10,694,387	7,099,202
TOTAL LIABILITIES	29,522,150	25,763,824
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
WESTERN SHAREHOLDERS' EQUITY		
Common stock, $0.001 and no par value, 12,500,000 shares authorized, 9,497,871 and 9,497,534 issued and outstanding.	950	-
Additional paid-in capital	28,997,087	28,934,392
Retained earnings	1,643,996	898,038
TOTAL WESTERN SHAREHOLDERS' EQUITY	30,642,033	29,832,430
NONCONTROLLING INTERESTS	46,469	26,079
TOTAL EQUITY	30,688,502	29,858,509
TOTAL LIABILITIES AND EQUITY	$ 60,210,652	$ 55,622,333

See notes to consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,	
	2016	2015
REVENUES		
Sales and associated fees	$ 74,213,699	$ 46,243,284
Financing fees and interest	9,881,795	10,772,785
Royalty and franchise fees, net	11,183,288	10,770,914
Other revenue	13,907,755	8,667,052
	109,186,537	76,454,035
COST OF REVENUES		
Cost of sales	37,558,251	25,209,412
Provisions for loans receivable losses	1,605,867	1,904,893
Other	2,508,421	1,196,172
	41,672,539	28,310,477
GROSS PROFIT	67,513,998	48,143,558
OPERATING EXPENSES		
Salaries, wages and benefits	28,300,491	20,859,080
Occupancy	8,406,923	6,570,537
Advertising, marketing and development	7,788,221	4,164,473
Depreciation	1,196,553	697,956
Amortization	563,076	499,697
Other	10,852,332	8,761,172
	57,107,596	41,552,915
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	7,559,063	-
OPERATING INCOME	2,847,339	6,590,643
OTHER INCOME (EXPENSES):		
Interest income	23,344	4,269
Interest expense	(527,975)	(575,712)
	(504,631)	(571,443)
INCOME BEFORE INCOME TAXES	2,342,708	6,019,200
INCOME TAX EXPENSE	864,000	2,481,764
NET INCOME	1,478,708	3,537,436
Less net income attributable to noncontrolling interests	(20,390)	(17,706)
NET INCOME ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS	$ 1,458,318	$ 3,519,730
EARNINGS PER SHARE ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS		
Basic and diluted	$ 0.15	$ 0.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and diluted	9,497,638	7,761,918

See notes to consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

		Western Capital Resources, Inc. Shareholders				
		Common Stock			Retained	
	Total	Shares	Amount	Additional Paid-In Capital	Earnings / (Accumulated Deficit)	Noncontrolling Interests
BALANCE – December 31, 2014	$ 20,090,426	5,997,588	$ -	$ 22,703,745	$ (2,621,692)	$ 8,373
Shares of common stock issued July 1, 2015 for JPPA/RAI acquisition	6,123,398	3,500,000	-	6,123,398	-	-
Removal of partial shares	-	(54)	-	-	-	-
Net Income	3,537,436	-	-	-	3,519,730	17,706
Share based compensation	107,249	-	-	107,249	-	-
BALANCE – December 31, 2015	29,858,509	9,497,534	-	28,934,392	898,038	26,079
Net Income	1,478,708	-	-	-	1,458,318	20,390
Share based compensation	63,645	-	-	63,645	-	-
Recapitalization	-	-	950	(950)	-	-
Elimination of Fractional Shares (Rounding up or down)	-	337	-	-	-	-
Dividends	(712,360)	-	-	-	(712,360)	-
BALANCE – December 31, 2016	$ 30,688,502	9,497,871	$ 950	$ 28,997,087	$ 1,643,996	$ 46,469

See notes to consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
OPERATING ACTIVITIES		
Net Income	$ 1,478,708	$ 3,537,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,196,553	697,956
Amortization	563,076	499,697
Share based compensation	63,645	107,249
Deferred income taxes	(2,120,000)	611,000
Loss on disposal of property, equipment and other assets	26,443	447,790
Goodwill impairment charge	7,559,063	-
Changes in operating assets and liabilities:		
Loans receivable	446,162	446,828
Accounts receivable	246,325	(300,699)
Inventory	(1,477,610)	(1,679,584)
Prepaid expenses and other assets	(1,392,204)	(785,181)
Accounts payable and accrued expenses	3,735,375	1,446,960
Deferred revenue and other current liabilities	(532,205)	420,793
Accrued liabilities and other - LT	62,677	(34,111)
Net cash provided by operating activities	9,856,008	5,416,134
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,960,809)	(766,625)
Acquisition of stores, net of cash acquired	(588,241)	(2,698,500)
Cash received through acquisitions	-	2,470,930
Advances on note receivable, net	(2,920,112)	-
Proceeds from the sale of property, plant and equipment	109,350	-
Net cash used in investing activities	(5,359,812)	(994,195)
FINANCING ACTIVITIES		
Payments on notes payable – short-term, net	(28,190)	(120,000)
Advances on line of credit, net	998,426	-
Advances on notes payable – long-term	3,818,301	-
Payments on notes payable – long-term, net	(2,351,642)	(666,670)
Advances on capital lease	185,318	-
Payments on capital lease	(93,743)	(60,950)
Dividend paid	(712,360)	-
Net cash provided by (used in) financing activities	1,816,110	(847,620)
NET INCREASE IN CASH	6,312,306	3,574,319
CASH		
Beginning of year	7,847,669	4,273,350
End of year	$ 14,159,975	$ 7,847,669
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	$ 3,845,718	$ 2,046,817
Interest paid	$ 615,094	$ 549,361
Noncash investing and financing activities:		
Shares issued and net assets acquired in acquisitions (Note 16)	$ -	$ 6,123,398
Deposit applied to purchase of intangibles	$ -	$ 50,000
Long-term debt proceeds used to pay off debt and interest	$ 3,021,699	$ -
Long-term debt proceeds used to pay prepaid financing costs	$ 60,000	$ -

See notes to consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation / Nature of Business

Western Capital Resources, Inc. (WCR) is a parent company owning operating subsidiaries, with percentage owned shown parenthetically, as summarized below.

- Franchise
  - AlphaGraphics, Inc. (AGI) (99.2%) – franchisor of 256 domestic and 25 international AlphaGraphics Business Centers which specialize in the planning, production, and management of visual communications for businesses and individuals throughout the world.

- Cellular Retail
  - PQH Wireless, Inc. (PQH) (100%) – operates cellular retail stores (145 owned and operated plus 53 operated under management agreement as of December 31, 2016), as an exclusive dealer of the Cricket brand.

- Direct to Consumer
  - J & P Park Acquisitions, Inc. (JPPA) (100% – Acquired July 1, 2015) – an online and direct marketing distribution retailer of live plants, seeds, holiday gifts and garden accessories selling its products under Park Seed, Jackson & Perkins, and Wayside Gardens brand names as well as a wholesaler under the Park Wholesale brand.

  - Restorers Acquisition, Inc. (RAI) (100% – Acquired July 1, 2015) – an online and direct marketing distribution retailer of home improvement and restoration products operating under Van Dyke's Restorers.

  - J & P Real Estate, LLC (JPRE) (100% – Acquired July 1, 2015) – owns real estate utilized as JPPA's distribution and warehouse facility and the corporate offices of JPPA and RAI.

- Consumer Finance
  - Wyoming Financial Lenders, Inc. (WFL) (100%) – owns and operates "payday" stores (40 as of December 31, 2016) in seven states (Colorado, Iowa, Kansas, Nebraska, North Dakota, 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 December 31, 2016) in Nebraska and Iowa providing collateralized non-recourse pawn loans and retail sales of merchandise obtained from forfeited pawn loans or purchased from customers.

References in these financial statement notes to "Company" or "we" refer to Western Capital Resources, Inc. and its subsidiaries. References to specific companies within our enterprise, such "AGI," "PQH," "JPPA," "RAI," "JPRE," "WFL" or "EPI" are references only to those companies.

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 provisions 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, gift certificate and merchandise credits liability and deferred taxes and tax uncertainties.

Revenue Recognition

Franchise

Royalty revenues from franchisees are primarily based on a percentage of business center sales and are recognized in the period in which they are earned. Initial franchise fee revenues are recognized when the obligations required by the franchise agreement have been substantially performed by AGI, which is generally upon the training of the franchisee. Revenues from area development franchise fees and International Master License Agreement (IML) fees are recognized when the obligations required by the area development and IML agreements have been substantially performed.

Service fees and other revenues are recognized when services are provided.

Cellular Retail

Sales revenue for sales of phones and accessories and dealer compensation for related activations is recognized in the period in which the sale is completed (retail sales and associated fees). Customer service fees are recognized upon completion of the service and payment received. Other dealer compensation not attributed to phone activations is recorded in the period earned as reported to us by Cricket Wireless. All sales are presented net of sales taxes, which are excluded from revenue.

Direct to Consumer

Sales revenue is recognized in the period in which product is shipped. Sales billed or cash received in advance of actual shipment are deferred and recorded as income in the period in which shipment is made. Shipping and handling fees billed to customers is included in net sales. Shipping and handling costs are expensed as incurred and included in cost of sales. All sales are presented net of sales taxes, which are excluded from revenue.

Consumer Finance

Loan fees and interest on cash advance loans are recognized on a constant-yield basis ratably over a loan’s term. Title and installment loan fees and interest are recognized using the interest method, except that installment loan origination fees are recognized as they become non-refundable and installment loan maintenance fees are recognized when earned. The Company recognizes fees on pawn loans on a constant-yield basis ratably over the loans’ terms. No fees are recognized on forfeited pawn loans.

Receivables and Loss Allowance

Franchise

Accounts receivable are recorded for earned but uncollected royalties and other related franchise fees. Allowances are provided on an account-by-account basis for estimated uncollectible accounts as deemed necessary by management. The Company considers current economic trends and changes in payment terms when evaluating the adequacy of the allowance.

Direct to Consumer

Receivables, for noncash sales, are recorded when orders are shipped and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Consumer Finance

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.

The Company does not specifically reserve for any individual payday, installment or title loan. The Company aggregates 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. The Company utilizes a software program to assist with the tracking of its 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. The Company also periodically performs a look-back analysis on its loan loss allowance to verify the historical allowance established tracks with the actual subsequent loan write-offs and recoveries. The Company is aware that as conditions change, it may also 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.

Inventory

Cellular Retail

Inventory, consisting of phones and accessories, is stated at cost, determined on the specific identification and a first-in, first-out basis, respectively.

Direct to Consumer

Inventory is valued at the lower of cost or market using the weighted-average method of determining cost.

Consumer Finance

Merchandise inventory is stated at the lower of cost or market. The principal amount of an unpaid loan becomes the inventory cost for forfeited collateral.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets as follows:

• Computer equipment and software	3 – 10 years
• Improvements and equipment	3 – 15 years
• Building	39 years

The cost of maintenance and repairs is charged to operations as incurred while renewals and betterments are capitalized.

The Company capitalizes certain internal costs, including payroll costs, incurred in connection with the development of software for internal use. These costs are capitalized beginning when the Company has entered the application development stage. The capitalization of these costs ceases when the software is substantially complete and ready for its intended use. Only costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and expensed over the estimated useful life of the enhancements.

Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired using purchase accounting and is not amortized.

Intangible Assets

Intangible assets represent the fair values management assigned to assets acquired through business acquisitions and is amortized over periods of three to 15 years based on management's estimates of the useful life of the asset.

Long-Lived Assets

The Company assesses the possibility of impairment of long-lived and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. 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 events or trends. In addition, the Company conducts an annual goodwill impairment test as of October 1 each year. The Company assesses goodwill for impairment at the reporting unit level by applying a fair value test. This fair value test involves a two-step process. The first step is to compare the carrying value of our net assets to our fair value. If the fair value is determined to be less than the carrying value, a second step is performed to measure the amount of the impairment, if any.

Due to the minimal amount of public float for the Company's common stock, the market capitalization approach of valuing the reporting unit as a whole is not practical. The discounted future cash flows method is utilized in estimating value. As further discussed in Note 7, when estimated future cash flows are less than the carrying value of the net assets and related goodwill, an impairment test is performed to measure and recognize the amount of the impairment loss, if any.

Merchandise Credits and Gift Card Liabilities

Direct to Consumer

The Company maintains a liability for unredeemed gift cards, gift certificates and merchandise credits until the earlier of redemption, escheatment or a maximum of two years. The Company has concluded based on historical redemption trends that the likelihood of these liabilities being redeemed beyond two years from the date of issuance is remote. The liability is also reserved for estimated redemption rates which management bases on historical trends.

Advertising, Marketing and Development Costs

Franchise

The costs of advertising, marketing and development are expenses as incurred.

Certain amounts received from franchisees for marketing and advertising campaigns benefiting the franchisees are held in the AlphaGraphics Integrated Marketing Fund. AGI controls the manner in which these funds are spent. In addition to advertising, marketing and development expenses, fund expenses include general operating expenses such as reasonable salaries, travel related expenditures, administrative expenses, and overhead incurred by AGI on behalf of the fund. Amounts in the fund and the related revenues and expenses are not reflected in the accompanying consolidated financial statements. AGI may direct that the amount spent in any fiscal year is greater or less than the aggregate contributions made by the franchisees into the fund.

Direct to Consumer

The Company expenses advertising costs as they are incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits, not to exceed six months. Direct-response advertising consists primarily of catalog book production, printing, and postage costs. Prepaid advertising costs at December 31, 2016 and 2015 were $1.08 million and $0.92 million, respectively.

Consumer Finance

The costs of advertising and marketing are expenses as incurred.

Stock-based Compensation

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.

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.

Income Taxes

Deferred income taxes reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts, based on enacted tax laws and statutory tax rates applicable in the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The provision for income taxes represents taxes paid or payable for the current year and changes during the year in deferred tax assets and liabilities.

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 potentially dilutive 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 13) were outstanding at December 31, 2016. These options have a strike price in excess of the market price as of December 31, 2016 and 2015, were antidilutive and therefore not included in the computation of diluted earnings per share. Thus, there were no dilutive common shares as of December 31, 2016 and 2015.

Fair Value of Financial Instruments

The amounts reported in the balance sheets for cash, accounts and loans receivable, inventory, and accounts payable are short-term in nature and their carrying values approximate fair values. The amounts reported in the balance sheets for notes payable are both long-term and short-term and their carrying value approximates fair value.

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 year ended December 31, 2016.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) jointly issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under US GAAP and IFRS. This converged standard is effective for annual and interim periods beginning after December 15, 2016. The Company is currently assessing the potential effects on our financial condition, results of operations and consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740) related to balance sheet classification of deferred taxes which will require entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTAs) as noncurrent in a classified balance sheet. The ASU simplifies the current guidance (ASC 740-10-45-4, which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. The ASU is effective for annual reporting periods beginning on after December 15, 2016 and interim periods within that annual period, with early adoption permitted. The Company early adopted the ASU during our first quarter of fiscal year 2016 on a retrospective basis. Accordingly, we reclassified the current deferred taxes to noncurrent on our December 31, 2015 Consolidated Balance Sheet, which decreased current deferred tax assets by $0.56 million and decreased noncurrent deferred tax liabilities by $0.56 million.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) related to recognition of lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that annual period, with early adoption permitted and to be applied using a modified retrospective approach. The Company is currently evaluating the impact the ASU will have on our financial condition, results of operations and consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) related to the measurement of credit losses on financial instruments. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The ASU is effective for annual reporting periods beginning after December 15, 2018 and interim periods within that annual period, with early adoption permitted and the standard to be applied using a modified retrospective approach. The Company is currently evaluating the impact the ASU will have on our financial condition, results of operations and consolidated financial statements.

No other new accounting pronouncements issued or effective during the fiscal year have had or are expected to have a material impact on the 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 and has been actively assessing significant penalties or seeking settlement payments.

Any adverse change in present local, state, and federal laws or regulations that govern or otherwise affect lending could result in the Consumer Finance segment'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 and segment'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 due to lost or decreased operating income 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 Consumer Finance segment 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, financial condition and prospects, and perhaps even the viability of the Consumer Finance segment.

Concentrations

The Company's subsidiaries each have demand deposits at financial institutions, often times in excess of the limit for insurance by the Federal Deposit Insurance Corporation. As of December 31, 2016, the Company had demand deposits in excess of insurance amounts of approximately $6.62 million.

Loans receivable in the Consumer Finance segment are concentrated in the sub-prime market and geographically, primarily in the Midwest. For the years ended December 31, 2016 and 2015, the Consumer Finance segment had geographic economic and regulatory risk concentrations (shown as a percentage of applicable segment's revenue by state when 10% or more) as follows:

Consumer Finance Segment		
	2016 % of Revenues	**2015 % of Revenues**
Nebraska	36%	33%
North Dakota	20%	19%
Wyoming	13%	14%
Iowa	16%	14%

The Company's Wireless Retail segment is an exclusive dealer for Cricket. As a dealer operating exclusively for a single carrier, the Company is subject to a number of concentrations, including revenues from a single brand, a single supplier for phones, a single operating system provider and select third party processors.

Our Direct to Consumer subsidiary JPPA has an agreement with a third party wholesale grower that is in effect until 2019. The grower has agreed to perform research for JPPA and maintain JPPA's research crop in exchange for a reduction in royalties to be paid to JPPA for growing JPPA's patented roses. There is an option to renew the agreement for consecutive two year terms and the agreement calls for a 24 month notice prior to termination.

RAI has an agreement with a single third-party fulfillment provider. For non-drop ship orders, the fulfillment provider receives and stores inventory, performs periodic cycle counts, picks, packs and ships customer orders. Additional services such as, order taking, processing of customer payments, personalization, customer services, and order processing are also performed by the fulfillment provider.

3. Loans Receivable –

At December 31, 2016 and December 31, 2015, the Consumer Finance segment's outstanding loans receivable aging was as follows:

December 31, 2016

	Payday	Installment	Pawn & Title	Total
Current	$ 3,683,603	$ 272,703	$ 284,460	$ 4,240,766
1-30	253,297	44,433	-	297,730
31-60	201,375	27,905	-	229,280
61-90	185,072	18,747	-	203,819
91-120	159,435	15,737	-	175,172
121-150	176,625	8,889	-	185,514
151-180	134,171	7,824	-	141,995
	4,793,578	396,238	284,460	5,474,276
Less Allowance	(953,000)	(83,000)	-	(1,036,000)
	$ 3,840,578	$ 313,238	$ 284,460	$ 4,438,276

December 31, 2015

	Payday	Installment	Pawn & Title	Total
Current	$ 4,065,706	$ 291,947	$ 286,514	$ 4,644,167
1-30	332,217	43,179	-	375,396
31-60	263,486	24,233	-	287,719
61-90	199,526	16,293	-	215,819
91-120	196,123	9,417	-	205,540
121-150	160,386	4,985	-	165,371
151-180	165,237	2,189	-	167,426
	5,382,681	392,243	286,514	6,061,438
Less Allowance	(1,081,000)	(96,000)	-	(1,177,000)
	$ 4,301,681	$ 296,243	$ 286,514	$ 4,884,438

4. Loans Receivable Allowance –

As a result of the Company's Consumer Finance segment's collection efforts, it historically writes off approximately 44% of the returned payday items, the most significant element making up loans receivable. 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 – 44%; 31 to 60 days – 66%; 61 to 90 days – 84%; 91 to 120 days – 89%; and 121 to 150 – 92% and 151+ days – 93%.

A rollforward of the Company's loans receivable allowance for the year ended December 31, 2016 and 2015 is as follows:

	Year Ended December 31,	
	2016	2015
Loans receivable allowance, beginning of year	$ 1,177,000	$ 1,219,000
Provision for loan losses charged to expense	1,605,867	1,904,893
Charge-offs, net	(1,746,867)	(1,946,893)
Loans receivable allowance, end of year	$ 1,036,000	$ 1,177,000

5. Accounts Receivable –

A breakdown of accounts receivables by segment as of December 31, 2016 and 2015 are as follows:

December 31, 2016

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Total
Accounts receivable	$ 1,103,210	$ 333,800	$ 363,426	$ 12,431	$ 1,812,867
Less allowance	(83,000)	-	(13,000)	-	(96,000)
Net accounts receivable	$ 1,020,210	$ 333,800	$ 350,426	$ 12,431	$ 1,716,867

December 31, 2015

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Total
Accounts receivable	$ 1,332,446	$ 148,346	$ 754,400	$ -	$ 2,235,192
Less allowance	(183,000)	-	(89,000)	-	(272,000)
Net accounts receivable	$ 1,149,446	$ 148,346	$ 665,400	$ -	$ 1,963,192

6. Property and Equipment –

A rollforward of the Company's property and equipment is as follows:

	December 31, 2015	Acquisitions	Additions	Deletions	December 31, 2016
Property and equipment	$ 3,799,327	$ 506,836	$ 1,736,566	$ (423,166)	$ 5,619,563
Leasehold improvements	721,151	-	-	(130,792)	590,359
Software	1,692,239	-	179,850	-	1,872,089
Building	5,148,703	-	44,393	(85,906)	5,107,190
Land	1,209,500	-	-	(9,500)	1,200,000
Other	96,311	-	-	(22,472)	73,839
	12,667,231	506,836	1,960,809	(671,836)	14,463,040
Accumulated depreciation	(4,105,910)	-	(1,196,553)	536,043	(4,766,420)
	$ 8,561,321	$ 506,836	$ 764,256	$ (135,793)	$ 9,696,620

	December 31, 2014	Acquisitions	Additions	Deletions	December 31, 2015
Property and equipment	$ 2,853,603	$ 1,202,435	$ 605,204	$ (861,915)	$ 3,799,327
Leasehold improvements	787,188	-	22,766	(88,803)	721,151
Software	504,967	1,197,839	112,876	(123,443)	1,692,239
Building	85,906	5,034,348	28,449	-	5,148,703
Land	9,500	1,200,000	-	-	1,209,500
Other	96,311	-	-	-	96,311
	4,337,475	8,634,622	769,295	(1,074,161)	12,667,231
Accumulated depreciation	(3,139,765)	(1,334,555)	(697,956)	1,066,366	(4,105,910)
	$ 1,197,710	$ 7,300,067	$ 71,339	$ (7,795)	$ 8,561,321

7. Goodwill and Intangible Assets –

During the fourth quarter of 2016, the Company completed its annual impairment test of the Consumer Finance segment, resulting in an impairment charge of $7,559,063, or 100% of the goodwill in the Consumer Finance segment. There were several factors that contributed to this charge, including a voter approved measure in the state of South Dakota that resulted in our cessation of operations in that state, the overall negative rates of growth of sales, profit and cash flows from our payday operations, lowered expectations for future performance and negative state and industry factors that upwardly effected the discount rates used in the current year valuation versus those used previously. During the fourth quarter of 2016, the Company also completed the annual impairment assessments for all other segment intangible assets, determining there was no other impairment. There were no impairment charges recorded in 2015.

The changes in the carrying amount of goodwill for the year ended December 31, 2016, are as follows:

	Wireless Retail Segment	Direct to Consumer Segment	Consumer Finance Segment	Total
Balance at December 31, 2014				
Goodwill	$ 4,955,140	$ -	$ 8,001,728	$ 12,956,868
Accumulated impairment losses	-	-	-	-
Goodwill, net of impairment losses	4,955,140	-	8,001,728	12,956,868
2015 Activity:				
Goodwill acquired (disposed) during year	810,144	31,244	(442,665)	398,723
Impairment losses	-	-	-	-
Balance at December 31, 2015				
Goodwill	5,765,284	31,244	7,559,063	13,355,591
Accumulated impairment losses	-	-	-	-
Goodwill, net of impairment losses	5,765,284	31,244	7,559,063	13,355,591
2016 Activity:				
Goodwill acquired during year	-	-	-	-
Impairment losses	-	-	(7,559,063)	(7,559,063)
Balance at December 31, 2016				
Goodwill	5,765,284	31,244	7,559,063	13,355,591
Accumulated impairment losses	-	-	(7,559,063)	(7,559,063)
Goodwill, net of impairment losses	$ 5,765,284	$ 31,244	$ -	$ 5,796,528

A rollforward of the Company's intangible assets is as follows:

	December 31, 2015	Acquisitions	Additions	Deletions	December 31, 2016
Customer relationships	$ 6,072,912	$ 81,405	$ -	$ (2,566,912)	$ 3,587,405
Acquired franchise agreements	5,227,112	-	-	-	5,227,112
Other	227,000	-	-	-	227,000
Amortizable Intangible assets	11,527,024	81,405	-	(2,566,912)	9,041,517
Less accumulated amortization	(6,290,700)	-	(563,076)	2,566,912	(4,286,864)
Net Amortizable Intangible Assets	5,236,324	81,405	(563,076)	-	4,754,653
Non-amortizable trademarks	2,782,292	-	-	-	2,782,292
Intangible Assets, net	$ 8,018,616	$ 81,405	$ (563,076)	$ -	$ 7,536,945

	December 31, 2014	Acquisitions	Additions	Deletions	December 31, 2015
Customer relationships	$ 4,924,912	$ 1,148,000	$ -	$ -	$ 6,072,912
Acquired franchise agreements	5,227,112	-	-	-	5,227,112
Other	-	227,000	-	-	227,000
Amortizable Intangible assets	10,152,024	1,375,000	-	-	11,527,024
Less accumulated amortization	(5,685,523)	(105,480)	(499,697)	-	(6,290,700)
Net Amortizable Intangible Assets	4,466,501	1,269,520	(499,697)	-	5,236,324
Non-amortizable trademarks	2,782,292	-	-	-	2,782,292
Intangible Assets, net	$ 7,248,793	$ 1,269,520	$ (499,697)	$ -	$ 8,018,616

As of December 31, 2016, estimated future amortization expense for the amortizable intangible assets is as follows:

2017	$ 553,993
2018	540,619
2019	528,581
2020	511,014
2021	487,797
Thereafter	2,132,649
	$ 4,754,653

8. Note Receivable –

The company is party to a secured promissory note dated November 18, 2016 with the selling parties of 53 Cricket retail locations as further discussed in Note 18. The note provides for up to $4,000,000 of advances to selling parties, accrues interest at 8%, matures on the earlier of closing or November 18, 2017 and is secured by all of the property and assets of sellers. Advances and accrued interest pursuant to the secured promissory note agreement will be credited against the amount owing to sellers.

9. Deferred Revenue and Other Liabilities –

Deferred revenue and other liabilities consisted of the following:

	For the Year Ended December 31,	
	2016	2015
Deferred financing fees	$ 264,174	$ 285,452
Deferred franchise development fees	62,500	264,000
Merchandise credits and gift card liability	907,362	1,127,470
Other	193,322	119,416
Total	$ 1,427,358	$ 1,796,338

10. Leases

The Company leases retail and office facilities under operating leases with terms ranging from month to month to six years, with rights to extend for additional periods. Rent expense, inclusive of base rents and common area maintenance obligations, insurance and real estate tax reimbursements, on all operations was approximately $6,610,000 and $4,490,000 in 2016 and 2015, respectively. Future minimum lease payments (in thousands) are approximately as follows:

Year Ending December 31,	Operating Leases
2017	$ 5,792
2018	4,805
2019	4,015
2020	2,094
2021	1,422
thereafter	219
Total minimum lease payments	$ 18,347

11. Notes Payable – Long Term –

The Company's long-term debt is as follows:

	December 31,			
	2016		2015	
Note payable (with a credit limit of $3,000,000) to River City Equity, Inc., with interest payable monthly at 12%, (terminated in 2016)	$	-	$	3,000,000
Revolving credit facility (with a credit limit of $3,000,000) to a financial institution with monthly payments of interest only at LIBOR plus 3.5% (4.125% at December 31, 2016), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing April 21, 2018		998,426		-
Subsidiary note payable to a financial institution with quarterly principal payments of $375,000 plus interest at prime rate plus 2.5% (terminated in 2016)		-		1,625,000
Note payable to a financial institution with monthly principal payment of $58,333 plus interest at LIBOR plus 3.5% (4.125% at December 31 2016), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing April 21, 2021		3,091,667		-
Note payable to a financial institution with monthly principal payment of $56,667 plus interest at LIBOR plus 3.5% (4.125% at December 31 2016), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing December 1, 2021		3,400,000		-
Subsidiary note payable to a financial institution with monthly principal payment of $33,334 plus annual paydowns equal to JPRE's net cash flow from operations due within 120 days of the calendar year end plus interest at LIBOR plus 3.5% (4.125% at December 31, 2016), secured by JPRE assets, maturing June 5, 2019 when remaining principal balance is due		2,971,452		3,371,460
Total		10,461,545		7,996,460
Less current maturities		(1,780,000)		(4,900,008)
	$	8,681,545	$	3,096,452

Future minimum long-term principal payments are as follows:

Year Ending December 31,		Amount
2017	$	1,780,000
2018		2,778,434
2019		3,551,444
2020		1,380,000
2021		971,667
Thereafter		-
	$	10,461,545

The Company is party to Credit Agreement with a financial institution entered into on April 22, 2016 and amended November 23, 2016. The Credit Agreement provides the Company with a revolving line of credit facility in an aggregate amount up to $3,000,000, having a maturity date of April 21, 2018 and an acquisition loan facility in an aggregate amount of up to $9,000,000, having a maturity date of April 21, 2018. The revolver and the acquisition loan facility bear interest at a floating per annum rate equal to one-month LIBOR plus 3.50%, adjusted on a monthly basis. Funds advanced under the acquisition loan facility mature five years from the date of advance. At closing, $3,500,000 was advanced under the acquisition loan replacing the $3,000,000 River City Equity debt and $500,000 of other term debt. At November 23, 2016 another $3,400,000 was advanced under the acquisition loan. At December 31, 2016 approximately $4,510,000 of credit was available under the credit facilities.

See Note 18 for additional terms and conditions related to the Credit Agreement.

The Company's subsidiaries' notes payable with financial institutions include certain financial covenants. Management has determined that the applicable subsidiaries were in compliance with these financial covenants as of December 31, 2016.

12. Income Taxes –

The Company's provision for income taxes is as follows:

	For the Year Ended December 31,	
	2016	2015
Current:		
Federal	$ 2,617,000	$ 1,535,444
State	325,000	305,120
Foreign	42,000	30,200
	2,984,000	1,870,764
Deferred:		
Federal	(1,748,000)	547,000
State	(372,000)	64,000
	(2,120,000)	611,000
	$ 864,000	$ 2,481,764

Deferred income tax assets (liabilities) are summarized as follows:

	For the Year Ended December 31,	
	2016	2015
Allowance for accounts and loans receivable	$ 428,000	$ 544,000
Inventory capitalization	98,000	120,000
Inventory reserve	38,000	75,000
Accrued expenses	155,000	198,000
Net operating losses (expires 2031)	47,000	113,000
Valuation allowance	-	(21,000)
Prepaid expense	(429,000)	(374,000)
Property and equipment	(901,000)	(721,000)
Goodwill and intangible assets	(1,211,000)	(3,864,000)
Capital loss carryforward (expires 2016)	-	20,000
Foreign tax credits	-	21,000
Net deferred income tax liability	$ (1,775,000)	$ (3,889,000)

Reconciliations from the statutory federal income tax rate to the effective income tax rate are as follows:

	For the Year Ended December 31,	
	2016	2015
Income tax expense using the statutory federal rate	$ 800,000	$ 2,047,000
State income taxes, net of federal benefit	(34,000)	213,000
Transaction expenses	18,000	119,000
Share based compensation	18,000	41,000
Other	62,000	61,764
Income tax expense	$ 864,000	$ 2,481,764

It is the Company's practice to recognize penalties and/or interest related to income tax matters in interest and penalties expense. As of December 31, 2016 and 2015, the Company had an immaterial amount of accrued interest and penalties.

The Company is subject to income taxes in the U.S. federal jurisdiction and various states and local jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine audits by taxing jurisdictions. Currently the Company has no federal or state audits in progress. Management believes the Company is no longer subject to income tax examinations for years prior to 2013 for all entities with the exception of one subsidiary, which management believes is no longer subject to income tax examinations for years prior to 2012.

13. Equity –

Reincorporation

On January 20, 2016, our shareholders approved a plan to reincorporate Western Capital Resources, Inc. in Delaware at a special meeting of the shareholders called for that purpose. The reincorporation was completed May 11, 2016.

Common Stock Issued

As further explained in Note 16, on July 1, 2015, we issued an aggregate 3.5 million shares of common stock for the acquisition of JPPA, RAI and JPRE. This represented approximately 37% of the total issued and outstanding common stock of the Company after the issuance, which totaled 9,497,534 shares.

WCR 2015 Stock Incentive Plan

On February 2, 2008, the Board of Directors of the Company approved and adopted the Company's 2008 Stock Incentive Plan, pursuant to which an aggregated of 100,000 shares of common stock have been reserved for issuance. Effective February 6, 2015, the Board of Directors terminated the earlier adopted 2008 Stock Incentive Plan and adopted the Company's new 2015 Stock Incentive Plan. There were no incentives issued or outstanding under the terminated plan. As of December 31, 2016 65,000 options had been granted under the 2015 plan.

The Board of Directors, or a committee of the board, administers the 2015 Stock Incentive Plan and has 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 2015 Stock Incentive 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 December 31, 2016 and the changes for the year then ended:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (*in years*)	Aggregate Intrinsic Value
Outstanding and nonvested at December 31, 2015	65,000	$ 6.00	8.11	$ -
Granted	-	-		
Vested	(22,000)	-		-
Forfeited	-	-		-
Outstanding and nonvested at December 31, 2016	43,000	$ 6.00		-
Exercisable at December 31, 2016	22,000			

The option vests in three annual and near-equal installments on each of February 8, 2016, 2017 and 2018, and has a contract life of ten years. There were 22,000 vested options at December 31, 2016. The strike price exceeded the share value at December 31, 2016 and thus there was no intrinsic value in outstanding vested options at December 31, 2016. As of December 31, 2016, total unrecognized stock-based compensation expense related to nonvested stock options was approximately $28,000, which is expected to be recognized over a weighted-average period of approximately 1.1 years.

Noncontrolling Interests

The Company owns 99.2% of AGI. For financial interests in which the Company owns a controlling financial interest, the Company applies the provisions of ASC 810 which are applicable to reporting the equity and net income or loss attributable to noncontrolling interests.

14. Dividends –

Our Board of Directors declared the following dividends payable in 2016:

Date Declared	Record Date	Dividend Per Share	Payment Date
May 24, 2016	June 6, 2016	$ 0.025	June 15, 2016
August 11, 2016	September 14, 2016	$ 0.025	September 21, 2016
November 11, 2016	December 16, 2016	$ 0.025	December 21, 2016

15. Other Expenses –

A breakout of other expense is as follows:

	For the Year Ended December 31,	
	2016	2015
Bank fees	$ 1,814,481	$ 1,079,930
Collection costs	397,312	431,682
Conference expense	855,982	680,991
Insurance	672,234	540,257
Management and advisory fees	805,630	578,082
Professional and consulting fees	2,094,618	1,911,163
Supplies	899,436	694,302
Other	3,312,639	2,844,765
	$ 10,852,332	$ 8,761,172

16. Acquisitions –

Cellular Retail Growth

Effective June 1, 2015, PQH purchased with cash all outstanding membership interests in four separate limited liability companies (Green Communications, LLC, an Arizona LLC, Green Communications, LLC, an Oregon LLC, Green Communications, LLC, a Washington LLC and Go Green, LLC an Arizona LLC). The entities acquired, when combined, do not meet the 20% significant subsidiaries thresholds under Rule 210.1-02 as modified by Rule 210.3-05(b) of SEC Reg. S-X. Under the equity method of accounting, the assets acquired and liabilities assumed were recorded at their estimated fair values as of the purchase date as follows:

	June 1, 2015
Cash	$ 389,000
Inventory	427,000
Other receivables	405,000
Property and equipment	612,000
Goodwill	578,000
Intangible assets	903,000
Other assets	69,000
Accounts payable and accrued liabilities	(826,000)
	$ 2,557,000

Direct to Consumer Segment

Effective July 1, 2015, the Company acquired a 100% interest in the businesses of RAI, JPPA, and JPRE, by completing a merger and contribution transaction. In consideration for the acquisition of these businesses, the Company issued to the former owners an aggregate of 3.5 million shares of the Company’s common stock representing approximately 37% of the total issued and outstanding common stock after consummation of the acquisition.

The entities are affiliated entities under common control and in accordance with Accounting Standards Codification Topic 805, "Business Combinations," and the Company, as the acquirer, recognized the assets and liabilities of the target entities at their historical values as of the date of merger as follows:

		July 1, 2015
Cash	$	2,082,000
Accounts Receivables, net		527,000
Inventory		3,170,000
Deferred income tax asset		186,000
Prepaid expense and other current assets		525,000
Property and equipment, net		6,590,000
Goodwill		31,000
Intangible assets, net		122,000
Accounts payable and accrued liabilities		(2,231,000)
Short-term notes payable		(120,000)
Income taxes payable		(547,000)
Deferred revenue and other		(460,000)
Notes payable and capital leases		(3,583,000)
Deferred income tax liability		(169,000)
	$	6,123,000

The results of the operations for the acquired business have been included in the consolidated financial statements since the date of the acquisition. The following table presents the unaudited pro forma results of operations for the year ended December 31, 2016 and 2015 (in thousands), as if the acquisitions had been consummated at the beginning of 2015. The pro forma net income below excludes the expense of the transactions. The pro forma results of operations are prepared for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisition occurred at the beginning of the 2015 or the results which may occur in the future.

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Corporate	Total
Year Ended December 31, 2016						
Pro forma revenue	$ 15,194	$ 39,236	$ 42,914	$ 11,843	$ -	$ 109,187
% of total pro forma revenue	13.9%	35.9%	39.3%	10.9%	- %	100.0%
Pro forma net income	$ 2,538	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,479
Pro forma net income attributable to noncontrolling interests	$ 21	$ -	$ -	$ -	$ -	$ 21
Pro forma net income attributable to WCR common shareholders	$ 2,517	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,458
Pro forma earnings per share attributable to WCR common shareholders – basic and diluted	$ 0.265	$ 0.067	$ 0.237	$ (0.349)	$ (0.066)	$ 0.154
Year Ended December 31, 2015						
Pro forma revenue	$ 13,025	$ 37,823	$ 42,738	$ 12,699	$ -	$ 106,285
% of total pro forma revenue	12.3%	35.6%	40.2%	11.9%	- %	100.0%
Pro forma net income	$ 2,270	$ 1,167	$ 2,177	$ 952	$ (736)	$ 5,830
Pro forma net income attributable to noncontrolling interests	$ 17	$ -	$ -	$ -	$ -	$ 17
Pro forma net income attributable to WCR common shareholders	$ 2,253	$ 1,167	$ 2,177	$ 952	$ (736)	$ 5,813
Pro forma earnings per share attributable to WCR common shareholders – basic and diluted	$ 0.237	$ 0.123	$ 0.229	$ 0.100	$ (0.077)	$ 0.612

17. Segment Information –

The Company has grouped its operations into five segments – Franchise, Cellular Retail, Direct to Consumer, Consumer Finance and Corporate. The Direct to Consumer and Corporate segments were added in 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 "Direct to Consumer" segment, which consists of an online and direct marketing distribution retailer with product offerings including seeds, live goods and garden accessories operating in the retail market under Park Seed, Jackson & Perkins and Wayside Gardens, and in the wholesale market under Park Wholesale, and an online retail seller of home improvement and restoration products operating over the internet through the domain name of www.Vandykes.com and through direct mail catalogs. The Consumer Finance segment provides financial and ancillary services. The Corporate segment includes the parent company activities, inclusive of the acquisitions department and management of acquired subsidiaries.

Segment information related to the years ended December 31, 2016 and 2015 is as follows:

December 31, 2016
(in thousands)

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Corporate	Total
Revenue from external customers	$ 15,194	$ 39,236	$ 42,914	$ 11,843	$ -	$ 109,187
Depreciation and amortization	$ 456	$ 786	$ 428	$ 90	$ -	$ 1,760
Interest expense	$ 94	$ 284	$ 150	$ -	$ -	$ 528
Income tax expense (benefit)	$ 1,575	$ 437	$ 1,197	$ (2,027)	$ (318)	$ 864
Net income (loss)	$ 2,538	$ 639	$ 2,245	$ (3,318)	$ (625)	$ 1,479
Total segment assets	$ 11,322	$ 23,448	$ 16,580	$ 8,471	$ 390	$ 60,211
Expenditures for segmented assets	$ 18	$ 2,292	$ 193	$ 46	$ -	$ 2,549

December 31, 2015
(in thousands)

	Franchise	Cellular Retail	Direct to Consumer	Consumer Finance	Corporate	Total
Revenue from external customers	$ 13,025	$ 32,846	$ 17,884	$ 12,699	$ -	$ 76,454
Depreciation and amortization	$ 441	$ 430	$ 214	$ 113	$ -	$ 1,198
Interest expense	$ 202	$ 284	$ 90	$ -	$ -	$ 576
Income tax expense (benefit)	$ 1,373	$ 632	$ 207	$ 574	$ (304)	$ 2,482
Net income (loss)	$ 2,270	$ 1,110	$ 243	$ 952	$ (1,038)	$ 3,537
Total segment assets	$ 10,079	$ 14,180	$ 15,878	$ 15,511	$ 537	$ 56,185
Expenditures for segmented assets	$ 113	$ 3,865	$ 304	$ 45	$ 14	$ 4,341

18. Commitments and Contingencies –

Employment Agreements

The Company is party to an employment agreement with its Chief Executive Officer, Mr. John Quandahl. The agreement runs from April 1, 2016 through March 2019. The agreement provides an annual base salary, eligibility for an annual performance-based cash bonus pool for management and contains customary non-solicitation and non-competition provisions as well as provisions for severance payments upon termination by the Company without cause or upon termination by Mr. Quandahl with good reason.

Effective February 9, 2015, the Company entered into a three-year employment agreement with Angel Donchev, its Chief Investment Officer (CIO). Pursuant to that agreement, the CIO is eligible for a discretionary annual performance-based bonus up to $200,000. In connection with the employment agreement, the Company granted the CIO 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.

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. The agreement also contains customary non-solicitation and non-competition provisions as well as provisions for severance payments upon termination by the Company without cause.

Pursuant to the numerous employment agreements, bonuses of approximately $1,149,000 and $1,008,000 were accrued for the year ended December 31, 2016 and 2015, respectively.

Credit Facility

The company is party to a Credit Agreement with a financial institution. Certain company subsidiaries are guarantors of the borrowings and obligations under the Credit Agreement. All borrowings under the Credit Agreement are secured by substantially all assets of WCR and the guarantor subsidiaries.

The Credit Agreement requires WCR to meet certain financial tests, including a leverage ratio and a fixed charge coverage ratio, as defined in the Credit Agreement. Subject to certain exceptions, the Credit Agreement contains covenants limiting the company's ability to (or to permit the guarantor subsidiaries to) merge or consolidate with, or engage in a sale of substantially all assets to, any party, but WCR or any guarantor subsidiary generally may nonetheless merge with another party if (i) WCR or guarantor subsidiary is the entity surviving such merger, and (ii) immediately after giving effect to such merger, no default shall have occurred and be continuing under the Credit Agreement. Subject to certain exceptions, the Credit Agreement also contains covenants limiting WCR's ability to (or to permit the guarantor subsidiaries to) create liens on assets, incur additional indebtedness, make certain types of investments, and pay dividends or make certain other types of restricted payments, but WCR may nonetheless pay dividends to its shareholders if (a) there are no outstanding loans or unpaid interest under the revolving credit facility, and (b) no default shall have occurred and be continuing under the Credit Agreement. Some covenant waivers were granted by the financial institution during the period ended December 31, 2016.

Cellular Retail Growth Commitment

Effective June 6, 2016, PQH entered into a Cricket Wireless Exclusive Dealer Agreement Amendment for Retail Expansion. Per the agreement, PQH commits to open at least 150 locations by December 31, 2017, including 50 locations by December 31, 2016. Also effective June 6, 2016, Cricket Wireless, LLC has increased certain compensation arrangements in the existing dealer agreement and will provide a subsidy for each location opened during the term of the agreement.

Asset Purchase Agreement

PQH entered into an Asset Purchase Agreement for the acquisition of 20 Cricket Wireless retail locations for $2,050,000 and an option to purchase an additional 33 locations for an aggregate purchase price of $7,200,000 (with the seller having an option to retain a 30% ownership in our subsidiary that intends to purchase all 53 stores), with a corresponding adjustment to the purchase price. Closing of the transaction is pending.

Vendor Service Agreement

In September 2015, AGI entered into a service agreement with a vendor for approximately $680,000. The vendor will provide services over a three year period.

Legal Proceedings

The Company is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. The Company does not believe that such normal and routine litigation will have a material impact on its consolidated financial results.

19. Management and Advisory Agreement –

The Company is party to an Amended and Restated Management and Advisory Agreement with Blackstreet Capital Management, LLC, (“Blackstreet”) under which Blackstreet provides certain financial, managerial, strategic and operating advice and assistance to the Company.

The amended and restated agreement requires the Company to pay Blackstreet a fee in an amount equal to $400,000 upon the closing of an acquisition in consideration for Blackstreet’s referral to the Company of such acquisition opportunity, and Blackstreet’s assistance in the performance of due diligence services relating thereto. Any fees which may have been payable per these terms related to the AGI, JPPA, RAI and JPRE acquisitions were waived by Blackstreet.

Effective July 1, 2015 the agreement with Blackstreet was amended. The annual fees under the amended and restated contract will be the greater of (i) $612,100 (subject to annual increases of five percent) or (ii) five percent of Western Capital’s “EBITDA” as defined under the agreement. All other terms and provisions remain unmodified.

Finally, the amended and restated agreement provides that a termination fee will be paid to Blackstreet in the event that the Company terminates the agreement in connection with a sale of all or substantially all of the assets of the Company to, or any merger or other transaction with, an unaffiliated entity, which transaction results in the holders of a majority of the stock of the Company immediately prior to such transaction owning less than 50% of the stock of the Company (or any successor entity) after giving effect to the transaction.

The annual management and advisory fees related to the Amended and Restated Management and Advisory Agreement with Blackstreet for the year ended December 31, 2016 and 2015 were $705,630 and $478,002, respectively.

20. Special Committee of the Board of Directors –

The Board of Directors has appointed Mr. Ellery Roberts to various special committees of the board. Annual Director and special committee fees expense was $30,000 and $50,000 for the year ended December 31, 2016 and 2015, respectively.

21. Related Party Transactions –

Leases

The Company leases three properties from an officer of the Company and another party under operating leases, one that is month-to-month, requiring monthly lease payments of $1,680, one that extends through June 2020, requiring monthly lease payments of $1,200, and one that extends through November 2017, requiring monthly lease payments of $5,000.

In October 2012, the Company entered into the latter lease. The lease is for a term of five years and has monthly base rental payments of $5,000 per month. The lease is at terms substantially similar to other leases for property near that location. The lease transaction was approved by the Board of Directors and the related party abstained from voting. This property is used for a Cricket retail storefront.

On August 31 2011, the Company entered into two operating leases for property owned by Ladary, LLC. Ladary, which acquired the two properties in foreclosure sales, is partially owned by the Chief Executive Officer of the Company, three current or past directors and one employee of the management company that manages the Company's largest shareholder. The leases, one of which replaced an earlier lease that the Company had entered into with the prior landlord, have four-year terms, require aggregate monthly rental payments of $6,000, and are on terms and conditions substantially similar to those contained in the replaced leases.

Annual rent expense to related parties for the five retail locations for 2016 and 2015 was approximately $170,000 and $171,000, respectively.

Credit Facility

On December 7, 2012 (and later amended on March 21, 2014, September 30, 2014 and May 21, 2015), we entered in a borrowing arrangement with River City Equity, Inc. Under this arrangement, as amended, we may borrow up to $3.0 million at an interest rate of 12% per annum, with interest payable on a monthly basis. The note contains no prepayment penalties, and pursuant to the May 21, 2015 amendment, matured on June 30, 2016. The note was terminated in April 2016.

22. Subsequent Events –

Share Redemption

On March 10, 2017, we entered into a Stock Redemption Agreement that provided for the redemption of 106,873 shares of our common stock held by a stockholder in exchange for a cash payment by us of $4.50 per share, or an aggregate purchase price of $480,928.14.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A 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 December 31, 2016, 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 December 31, 2016.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a set of processes designed by, or under the supervision of, a company's principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets

- provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statement.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our Quarterly Report on Form 10-Q for the period ended September 30, 2015, we identified the following three material weaknesses in internal control over financial reporting:

- Effective controls over the period-end financial reporting process with respect to journal entries and proper segregation of duties were not maintained. Journal entries, both recurring and nonrecurring, were not always accompanied by sufficient supporting documentation and were not adequately reviewed and approved for validity, completeness and accuracy.

- Proper segregation of duties within the financial application were not maintained. In certain instances, persons responsible for financial reporting lacked restrictions to their access to ensure separation of functions involving custody of assets, authorization or approval of related transactions affecting those assets, and recording or reporting of related transactions were established and maintained.
- Effective general computer controls to ensure proper change management policies and procedures existed and were followed for migration of updates and upgrades to our financial application or to maintain separate development, test and production environments were not implemented.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Despite the remediation progress made in 2015, we were unable to conclude at December 31, 2015 that the material weaknesses described in our Quarterly Report for the period ended September 30, 2015 were effectively remediated due to the fact that (i) less than the entire remediation plan has been implemented and (ii) the time period for remediation testing was insufficient to assess on the effectiveness of those controls. As of December 31, 2016, the full remediation plan had been implemented and tested and we have concluded that the material weaknesses have been successfully remediated.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, the Company's management assessed the design and operating effectiveness of internal control over financial reporting based on the framework set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016. KLJ and Associates, LLP, an independent registered public accounting firm, is not required to issue, and thus has not issued, an attestation report on the Company's internal control over financial reporting as of December 31, 2016.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal controls over financial reporting that occurred during the fiscal year covered by this report that materially affected, or were reasonably likely to materially affect such controls. However, we do wish to highlight the following changes made in 2016:

- We completed the process of remediating our material weaknesses identified in 2015.
- We created an internal audit positon dedicated to the design, implementation and testing of our internal controls and procedures over financial reporting, which has support through an outside consultant.

ITEM 9B OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

MANAGEMENT

Our Board of Directors consists of Lawrence Berger, Richard E. Miller, Ellery Roberts, Kevin Kuby and John Quandahl. The following table sets forth the name and position of each of our current directors and executive officers.

Name	Age	Positions
John Quandahl	50	Chief Executive Officer, Chief Operating Officer and Director
Steve Irlbeck	52	Chief Financial Officer
Angel Donchev	35	Chief Investment Officer
Lawrence Berger	45	Director (Chairman)
Ellery Roberts	46	Director
Richard Miller	70	Director
Kevin Kuby	48	Director

The biographies of the above-identified individuals are set forth below:

John Quandahl, the Company's Chief Executive and Operating Officer, currently also serves as the President of Wyoming Financial Lenders, Inc., a position he has held since 2007. Mr. Quandahl served as the Company's Interim Chief Financial Officer from January 1, 2008 to May 10, 2011. From 2005 until joining Wyoming Financial Lenders, Mr. Quandahl was the President of Houlton Enterprises, Inc., and prior to that served as that corporation's Chief Operating Officer from 1999 until 2004. During his tenure at Wyoming Financial Lenders and Houlton Enterprises, Mr. Quandahl and the respective employers were based in Omaha, Nebraska. Mr. Quandahl was the controller as Silverstone Group, Inc., from 1993 until 1998, and before that began his career at the Nebraska Department of Revenue as a tax auditor in 1989. Mr. Quandahl is a certified public accountant (inactive) and earned a degree in accounting from the University of Nebraska - Lincoln. Mr. Quandahl served as Chief Operating Officer of Wyoming Financial Lenders prior to its merger with the Company has continued to serve as our Chief Operating Officer since that time. Effective January 1, 2009, Mr. Quandahl was appointed as our Chief Executive Officer and until May 2011, our interim Chief Financial Officer. Mr. Quandahl was appointed to the Board of Directors on March 9, 2009.

Steve Irlbeck was appointed the Company's Chief Financial Officer in May 2011. Mr. Irlbeck joined the Company in January 2009 as the Company's Senior Director of Accounting. From 1995 until 2008, Mr. Irlbeck was employed at Lutz & Company, PC, a public accounting and consulting firm in Omaha, Nebraska where he was a tax partner. Mr. Irlbeck is a certified public accountant (inactive) and earned a degree in accounting from Creighton University.

Angel Donchev joined the Company as its Chief Investment Officer in February 2015. From 2005 until February 2015, Mr. Donchev was employed by Blackstreet Capital Management, LLC, a Delaware limited liability company principally engaged in the management of private investments. Prior to Blackstreet, Mr. Donchev worked as a generalist in the Corporate Finance division of Stephens Inc., a middle market investment bank. Mr. Donchev has served as a director of AlphaGraphics, Inc. since February 2012, and currently also serves as a director of Swift Spinning, Inc. (a private company). Mr. Donchev was previously a director of the Company from March 31, 2010 until he resigned on October 1, 2014. Mr. Donchev has been involved in control buyouts of lower middle market companies with combined revenues in excess of $700 million over the past ten years. Mr. Donchev is a Harvard Business School alumnus and has a BBA in Business Honors and Finance from the McCombs School of Business at the University of Texas at Austin.

Lawrence Berger was appointed to the Board of Directors on October 1, 2014 at the direction of BC Alpha Holdings I, consistent with certain director-appointment rights granted to that company in the AlphaGraphics Merger Agreement.
Mr. Berger served as the Managing Director of Investments for Blackstreet Capital Management, LLC since 2006 and Chief Investment Officer of Blackstreet Capital Holdings, LLC. Prior to joining Western Capital's board, Mr. Berger previously worked for the Boston Consulting Group, the Washington Post Company and Ames Watson Capital, LLC. Currently, Mr. Berger sits on the Board of Directors of AWE, iMarketing, and FreeLotto. Mr. Berger received a Bachelor of Science in Economics degree in 1994 from the Wharton School of the University of Pennsylvania and a Master of Business Administration in 2000 from the Wharton School of the University of Pennsylvania, where he was also a Price Fellow. Mr. Berger serves as Chairman of the Board.

Richard Miller is an independent business consultant. Previously, Mr. Miller was Chief Executive Officer of Pirelli Tire North America, a $120 million tire manufacturer, and Chief Executive Officer of Dunn Tire Corporation, a $25 million regional tire retailer. Prior experience also includes senior operating positions with Dunlop Tire. Mr. Miller has served as Executive Chairman of True Home Value, Inc., and currently serves as Chairman of Swisher, Inc. — a private company to which Blackstreet Capital Management, LLC provides management and advisory services. Mr. Miller is a decorated former Marine Captain and holds a BA from Chapman College in California. Mr. Miller previously served as our Chairman of the Board.

Ellery Roberts was appointed by the Board of Directors to serve as a director on May 10, 2010. Mr. Roberts brings over 20 years of private equity investing experience to our company. Mr. Roberts has been the Chairman and Chief Executive Officer of 1847 Holdings LLC since its inception on January 22, 2013. Prior to the formation of 1847 Holdings LLC, Mr. Roberts served as the managing member of The 1847 Companies LLC, a buyer and operator of two lower-middle market businesses recapitalized in 2012. Prior to The 1847 Companies, LLC, Mr. Roberts was the co-founder and was co-managing principal from October 2009 to June 2011 of RW Capital Partners LLC, the recipient of a "Green Light" letter from the U.S. Small Business Administration (SBA). Mr. Roberts was a founding member of Parallel Investment Partners, LP (formerly SKM Growth Investors, LP), or Parallel, a Dallas-based private equity fund focused on re-capitalizations, buyouts and growth capital investments in lower middle market companies throughout the United States. During his tenure at Parallel, Mr. Roberts held the position of Managing Director from January 2004 to September 2009, Vice President from January 2003 to December 2003 and Senior Associate from January 2000 to December 2002. Mr. Roberts was responsible for approximately $400 million in invested capital across two funds. Also during his tenure with Parallel, Mr. Roberts sat on the boards of Environmental Lighting Concepts, Hat World Corporation, Senex Financial Corporation, Builders TradeSource Corporation, Action Sports, Weisman Discount Home Centers, Winnercom, Mealey's Furniture, Regional Management Corporation, Marmalade Cafes, and Diesel Service and Supply (all of which are private companies). Prior to Parallel, Mr. Roberts was a Vice President with Lazard Group LLC (NYSE: LAZ), or Lazard, from July 1997 to December 2000. While at Lazard, he focused on and also gained experience in the home building, health care, retail, industrial and lodging sectors. Prior to joining Lazard in 1997, Mr. Roberts was a Senior Financial Analyst with Colony Capital, Inc. from July 1995 to June 1996, where he analyzed and executed transactions for Colony Investors II, L.P., a $625 million private equity fund. Prior to that, he was a Financial Analyst with the Corporate Finance Division of Smith Barney Inc. (now known as Morgan Stanley Smith Barney LLC) from January 1994 to June 1995 where he participated in a wide variety of investment banking activities. During his career Mr. Roberts has been directly involved with over $3.0 billion in direct private equity investments. Mr. Roberts received his B.A. degree in English from Stanford University.

Kevin Kuby was appointed to the Board of Directors on July 1, 2015 at the direction of BC Alpha Holdings I, consistent with certain director-appointment rights granted to that company in the AlphaGraphics Merger Agreement. Mr. Kuby serves as the Managing Director of Restructuring for Blackstreet Capital Management, LLC and Executive Vice President - Restructuring of Blackstreet Capital Holdings, LLC. Prior to joining Western Capital's board, Mr. Kuby previously worked for Alvarez & Marsal, FTI Consulting and for PricewaterhouseCoopers in their business restructuring practices. Currently, Mr. Kuby sits on the Board of Directors of AWE, ThinkDirect Marketing Group and IMarketing. Mr. Kuby received an MBA from the University of Chicago and a B.A. in Economics from the University of Illinois – Urbana / Champaign.

Under our corporate bylaws, all of our directors serve for indefinite terms expiring upon the next annual meeting of our shareholders.

When considering whether directors and nominees have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Board of Directors focuses primarily on the industry and transactional experience, and other background, in addition to any unique skills or attributes associated with a director. With regard to Mr. Quandahl, the Board of Directors considered his significant experience, expertise and background with regard to accounting, financial and tax matters, his particular experience with the payday lending industry as well as retail operations, and his demonstrated experience and skills in managing and evaluating the coordination and integration of the Company's two principal operating segments. With regard to Mr. Miller, the Board of Directors considered his leadership experience as well as his background and experience in retail operations. With regards to Mr. Roberts, the Board of Directors considered his extensive experience in finance and capital structures, his prior board leadership experience as well as his prior experience in retail operations. With regards to Mr. Berger, the Board of Directors considered his diverse board experience and his particular experience with equity investments and acquisitions.

FAMILY RELATIONSHIPS

The Board of Directors has affirmatively determined that there are no familial relationships among any of our officers or directors.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past ten years, no officer, director, control person or promoter of the Company has been:

- involved in any petition under the federal bankruptcy laws or any state insolvency law that was filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years, or any corporation or business association of which he was an executive officer at or within two years within the date of this report;

- convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

- the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities: (1) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; (2) engaging in any type of business practice; or (3) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

- the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

- found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

- found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

- the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (1) any federal or state securities or commodities law or regulation; or (2) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (3) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

- the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that at least one member of the Audit Committee, Mr. Ellery Roberts, is an “audit committee financial expert” as that term is defined in Regulation S-K promulgated under the Exchange Act. Mr. Robert’s relevant experience is detailed in Item 10 above. As noted above, Mr. Roberts qualifies as an “independent director,” as such term is defined in Section 5605(a)(2) of the Nasdaq listing rules, and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The Board of Directors has determined that each of the Audit Committee members is able to read and understand fundamental financial statements and that at least one member of the Audit Committee has past employment experience in finance or accounting.

CODE OF ETHICS

We have adopted a Code of Ethics which governs the conduct of our officers, directors and employees in order to promote honesty, integrity, loyalty and the accuracy of our financial statements. Our Code of Ethics was amended and restated effective as of August 11, 2016, and a copy of that amended and restated Code of Ethics is filed as an exhibit to this report. You may obtain a copy of the Code of Ethics without charge by writing us and requesting a copy, attention: John Quandahl, 11550 “I” Street, Omaha, Nebraska 68137. You may also request a copy by calling us at (402) 551-8888.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons considered to be beneficial owners of more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and Nasdaq. Officers, directors and greater-than-ten-percent shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of Forms 3 and 4 and amendments thereto furnished to the Company during the fiscal year ended December 31, 2016, and Forms 5 and amendments thereto furnished to the Company with respect to such fiscal year, or written representations that no Forms 5 were required, the Company believes that the following is the list of its officers, directors and greater than ten percent beneficial owners who have failed to file on a timely basis all Section 16(a) filing requirements during the fiscal year ended December 31, 2015: Lawrence Berger filed one late report regarding one transaction and John Quandahl filed one late report regarding one transaction.

ITEM 11 EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth the cash and non-cash compensation for awarded to or earned by: (i) each individual who served as the principal executive officer and principal financial officer of Western Capital during the year ended December 31, 2015; and (ii) each other individual that served as an executive officer of Western Capital at the conclusion of the year ended December 31, 2016 and who received more than $100,000 in the form of salary and bonus during such fiscal year. For purposes of this report, these individuals are collectively referred to as our “named executives.”

Name and Principal Position		Salary	Bonus	Total
John Quandahl [(1)]	2016	$ 286,500	$ 87,750	$ 374,250
Pres. and Chief Executive Officer	2015	$ 246,000	$ 84,500	$ 330,500
Steve Irlbeck [(2)]	2016	$ 225,000	$ 87,750	$ 312,750
Chief Financial Officer	2015	$ 225,000	$ 84,500	$ 309,500

(1) Mr. Quandahl is our President and Chief Executive Officer. Mr. Quandahl also serves as our Chief Operating Officer, a position he has held since November 29, 2007. Mr. Quandahl became our President and Chief Executive Officer on January 1, 2009. From January 1, 2009 through May 10, 2011, Mr. Quandahl also served as interim our Chief Financial Officer.

(2) Mr. Irlbeck is our Chief Financial Officer, a position he has held since May 10, 2011. Prior to May 10, 2011, Mr. Irlbeck was our Senior Director of Accounting.

We had no outstanding equity awards as of December 31, 2016 for any named executives.

EMPLOYMENT AND CHANGE-IN-CONTROL AGREEMENTS

We do not currently have change-in-control agreements with any named executives or any other current members of our executive management.

Effective April 1, 2016, we entered into a First Amendment to Amended and Restated Employment and Non-Competition Agreement with our Chief Executive Officer, Mr. John Quandahl. The agreement has a term of three years and contains other terms and conditions that are similar to those of the original agreement which had expired. Specifically, the amended and restated agreement provides an annual base salary and eligibility for an annual performance-based cash bonus pool for management. The amended and restated agreement also contains customary non-solicitation and non-competition provisions as well as provisions for severance payments upon termination by the Company without cause or upon termination by Mr. Quandahl with good reason.

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. 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.

COMPENSATION OF DIRECTORS

Name and Principal Position		Compensation	Other Annual Compensation	Total
Lawrence Berger [1]	2016	$ -	$ -	$ -
Chairman	2015	$ -	$ -	$ -
Richard Miller [2]	2016	$ -	$ 100,000	$ 100,000
Director	2015	$ -	$ 100,000	$ 100,000
Ellery Roberts [3]	2016	$ 30,000	$ -	$ 30,000
Director	2015	$ 50,000	$ -	$ 50,000
Kevin Kuby [4]	2016	$ -	$ -	$ -
Director	2015	$ -	$ -	$ -

(1) Mr. Berger was appointed to the Board of Directors effective October 1, 2014 and is the Chairman of the Board.
(2) Mr. Miller provides management consulting services to the Company in addition to his services as a director of the Board. In accordance with the consulting agreement, his compensation is $100,000 per year.
(3) Mr. Roberts served on a special committee of the Board of Directors. In connection with this service, the Board of Directors approved the payment of compensation to Mr. Roberts in the amount of $30,000 and $50,000 for years 2016 and 2015, respectively.
(4) Mr. Kuby was appointed to the Board of Directors effective July 1, 2015.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

As of the close of business on March 31, 2017, we had outstanding 9,390,997 shares of common stock. Each share of capital stock is currently entitled to one vote on all matters put to a vote of our shareholders. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned as of March 31, 2017, by:

- each person known by the Company to be the beneficial owner of more than five percent of the Company's outstanding common stock
- each current director
- each executive officer of the Company and other persons identified as a named executive in ITEM 11 above, and
- all current executive officers and directors as a group.

Unless otherwise indicated, the address of each of the following persons is 11550 "I" Street, Omaha, Nebraska 68137, and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name and Address	**Common Shares Beneficially Owned** [(1)]	**Percentage of Common Shares** [(1)]
Richard Miller	84,166	*%
Ellery Roberts	-	-%
Lawrence Berger [(2)]	33,985	*%
Kevin Kuby	-	-%
John Quandahl	30,000	*%
Steve Irlbeck	10,000	*%
Angel Donchev	15,273	*%
All current executive officers and directors as a group [(3)]	173,424	1.83%
WCR, LLC [(4)] c/o Blackstreet Capital Management, LLC 5425 Wisconsin Avenue Suite #701 Chevy Chase, MD 20815	4,117,510	43.35%
BC Alpha Holdings I, LLC [(5)] c/o Blackstreet Capital Management, LLC 5425 Wisconsin Avenue Suite #701 Chevy Chase, MD 20815	1,480,693	15.59%

* less than one percent.

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon exercise of options or warrants that are currently exercisable or exercisable within 60 days of the record rate, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each person's beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person's beneficial ownership set forth in the "Percentage of Common Shares" column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%.

(2) Includes 9,923 common shares held by Blue Jays Investment 2, LLC, a Delaware limited liability company to which Mr. Berger is a member and manager and taken from Mr. Berger's most recent filing under §13 of the Securities Exchange Act of 1934, filed on June 6, 2016. Mr. Berger disclaims beneficial ownership of the shares held by Blue Jays Investment 2, LLC except to the extent of his pecuniary interest in the shares. Also includes 5,150 shares held directly by Mr. Berger, 4,600 shares held by Mr. Berger's spouse, and 1,375 shares held by Mr. Berger or his spouse as a UTMA custodian for a minor.

(3) Consists of Messrs. Miller, Roberts, Berger, Kuby, Quandahl, Irlbeck, and Donchev.

(4) Share figures contained in the table are taken from WCR, LLC's most recent filing under §13 of the Securities Exchange Act of 1934, filed on January 9, 2017.

(5) Share figures contained in the table are taken from BC Alpha Holdings I, LLC's most recent filing under §13 of the Securities Exchange Act of 1934, filed on January 9, 2017.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

CERTAIN RELATIONSHIPS AND TRANSACTIONS

On October 18, 2011 (and later amended on December 7, 2012, March 21, 2014 and May 21, 2015), we entered in a borrowing arrangement with River City Equity, Inc. Under this arrangement, as amended, we may borrow up to $3.0 million at an interest rate of 12% per annum, with interest payable on a monthly basis. The note contains no prepayment penalties, and pursuant to the May 21, 2015 amendment, matured on June 30, 2016. The note, under certain circumstances, permits River City Equity to obtain a security interest in substantially all of our assets. As of December 31, 2016, the note had been terminated.

After the initial advancement from River City Equity under the borrowing arrangement, a family member of the Company's Chief Executive Officer obtained an ownership interest in River City Equity. Since such time, there have been additional advances of funds under the borrowing arrangement. The Board of Directors has been apprised of the fact that, subsequent to the transactions creating the arrangement with River City Equity, that entity has become a "related party" under applicable SEC disclosure rules.

RELATED-PARTY TRANSACTION POLICY

The Board of Directors has adopted a written Conflict of Interest and Related Party Transaction Policy. That policy governs the approval of all related-party transactions, subject only to certain customary exceptions (e.g., compensation, certain charitable donations, transactions made available to all employees generally, etc.). The policy contains a minimum dollar threshold of $5,000.

The entire Board of Directors administers the policy and approves any related-party transactions. At each calendar year's first regularly scheduled meeting, management discloses any known related-party transactions to be entered into by the Company for that calendar year, including the proposed aggregate value of such transactions if applicable. After full disclosure of all material facts, review and discussion, the board votes whether to approve the proposed transactions. If a related-party transaction will be ongoing, the board may establish guidelines for management to follow in its ongoing dealings with the related party. However, management is generally required to update the board as to any material change to the related-party transactions approved at the first calendar year meeting.

In the event management recommends any related-party transactions after the first calendar year meeting, such transactions are generally presented to the board for approval in advance, or preliminarily entered into by management subject to ratification by the board. If ratification is not obtained, management must make all reasonable efforts to cancel or annul such transaction.

Procedurally, no director is allowed vote in any approval of a related-party transaction for which he or she is the related party, except that such a director may otherwise participate in a related discussion and shall provide to the board all material information concerning the related-party transaction and the director's interest therein.

DIRECTOR INDEPENDENCE

The Company does not have a standing nominating committee. Instead, the entire Board of Directors shares the responsibility of identifying potential director-nominees to serve on the Board of Directors.

The Board of Directors does have a standing Compensation Committee and Audit Committee. The Compensation Committee is composed of Mr. Roberts. The Audit Committee is composed of Mr. Roberts. The Board of Directors has determined that only Mr. Roberts is "independent," as such term is defined in Section 5605(a)(2) of the Nasdaq listing rules, and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The preceding disclosure respecting director independence is required under applicable SEC rules. However, as a corporation whose shares are listed for trading on the OTCQB, we are not required to have any independent directors at all on its Board of Directors, or any independent directors serving on any particular committees of the Board of Directors.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table summarizes the fees we were billed for audit and non-audit services rendered for fiscal years 2016 and 2015. Our principal accountant, KLJ and Associates, LLP, reviewed our quarterly filings and audited the Company's consolidated financial statements for the years 2016 and 2015.

	2016	2015
Audit Fees	$ 153,500	$ 125,000
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	**$ 153,500**	**$ 125,000**

KLJ and Associates, LLP did not perform any other tax-related or other services for fees during fiscal 2016 and 2015.

Audit Fees. The fees identified under this caption were for professional fees rendered in connection with the audit of our annual consolidated financial statements, review of our quarterly condensed consolidated financial statements and statutory and regulatory filings and engagements for the years identified.

Approval Policy. Our Audit Committee approves in advance all services provided by our independent registered public accounting firm. All engagements of our independent registered public accounting firms in years ended 2016 and 2015 were pre-approved by the Audit Committee.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

Item	Page
Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements	F-1
Consolidated Balance Sheets – December 31, 2016 and December 31, 2015	F-2
Consolidated Statements of Income – Years ended December 31, 2016 and December 31, 2015	F-3
Consolidated Statement of Shareholders' Equity – Years ended December 31, 2016 and December 31, 2015	F-4
Consolidated Statements of Cash Flows – Years ended December 31, 2016 and December 31, 2015	F-5
Notes to Consolidated Financial Statements	F-6

EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger by and among the registrant, WCRS Acquisition Co., LLC, and BC Alpha Holdings II, LLC, dated August 29, 2014 (incorporated by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed on September 5, 2014).
2.2	Merger and Contribution Agreement with Restorers Acquisition, Inc., J&P Park Acquisitions, Inc., and J&P Real Estate, LLC, and certain other parties, dated June 9, 2015 (incorporated by reference to Exhibit 10.3 to the registrant's quarterly report on Form 10-Q filed on August 14, 2015).
3.1	Certificate of Incorporation, filed with the Delaware Secretary of State on May 11, 2016 (incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed on May 17, 2016).
3.2	Bylaws effective May 11, 2016 (incorporated by reference to Exhibit 3.2 to the registrant's annual report on Form 8-K filed on May 17, 2016).
10.1	2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the registrant's annual report on Form 10-K filed on April 7, 2008).
10.2	2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on February 9, 2015).
10.3	Form of Stock Option Agreement for use with 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the registrant's current report on Form 8-K filed on February 9, 2015).
10.4	Promissory Note delivered in favor of River City Equity, Inc. dated as of October 18, 2011 (incorporated by reference to Exhibit 10.11 to the registrant's annual report on Form 10-K filed on March 30, 2012).

10.5	Security Agreement delivered in favor of River City Equity, Inc. dated as of October 18, 2011 (incorporated by reference to Exhibit 10.12 to the registrant's annual report on Form 10-K filed on March 30, 2012).
10.6	Consulting Agreement with Ric Miller Consulting, Inc. dated as of April 1, 2010 (incorporated by reference to Exhibit 10.17 to the registrant's annual report on Form 10-K filed on March 30, 2012).
10.7	Amended and Restated Employment Agreement with John Quandahl dated as of April 1, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q filed on May 14, 2013).
10.8	First Amendment to Amended and Restated Employment Agreement with John Quandahl dated as of April 1, 2016 (incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q filed on August 15, 2016).
10.9	Amended and Restated Management and Advisory Agreement with Blackstreet Capital Management, LLC, dated June 21, 2012 (incorporated by reference to Exhibit 10.3 the registrant's quarterly report on Form 10-Q filed on August 14, 2012.).
10.10	First Amendment to Amended and Restated Management and Advisory Agreement with Blackstreet Capital Management, LLC, dated October 1, 2014 (incorporated by reference to Exhibit 10.12 to the registrant's annual report on Form 10-K filed on March 31, 2015).
10.11	Second Amendment to Amended and Restated Management and Advisory Agreement with Blackstreet Capital Management, LLC, dated July 1, 2015 (incorporated by reference to Exhibit 10.9 to the registrant's annual report on Form 10-K filed on March 30, 2016).
10.12	Employment Agreement with Angel Donchev dated as of February 9, 2015 (incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on February 9, 2015).
10.13	Credit Agreement with Fifth Third Bank, dated April 22, 2016 (incorporated by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q filed on August 15, 2016).
14	Code of Ethics (amended and restated as of August 11, 2016) (*filed herewith*).
21	List of Subsidiaries (*filed herewith*).
31.1	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (*filed herewith*).
31.2	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (*filed herewith*).
32	Certification pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*filed herewith*).
101.INS	XBRL Instance Document (*filed herewith*).
101.SCH	XBRL Schema Document (*filed herewith*).
101.CAL	XBRL Calculation Linkbase Document (*filed herewith*).
101.DEF	XBRL Definition Linkbase Document (*filed herewith*).
101.LAB	XBRL Label Linkbase Document (*filed herewith*).
101.PRE	XBRL Presentation Linkbase Document (*filed herewith*).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTERN CAPITAL RESOURCES, INC.

/s/ John Quandahl 3/31/17
John Quandahl

Chief Executive Officer

/s/ Steve Irlbeck 3/31/17
Steve Irlbeck

Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ John Quandahl 3/31/17
John Quandahl, Director,
Chief Executive Officer, Chief Operating Officer
(principal executive officer)

/s/ Steve Irlbeck 3/31/17
Steve Irlbeck, Chief Financial Officer
(principal financial officer and principal accounting officer)

/s/ Lawrence Berger 3/31/17
Lawrence Berger, Director
(Chairman)

/s/ Ellery Roberts 3/31/17
Ellery Roberts, Director

/s/ Kevin Kuby 3/31/17
Kevin Kuby, Director

/s/ Richard Miller 3/31/17
Richard Miller, Director

Exhibit 14

WESTERN CAPITAL RESOURCES, INC.
CODE OF BUSINESS CONDUCT AND ETHICS

Introduction

This Code of Business Conduct and Ethics (this “Code”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees of Western Capital Resources, Inc. and its various subsidiary entities (collectively, the “Company”). All of our employees and all of our officers, specifically including our principal executive officer (CEO), principal financial officer (CFO), and other members of management (collectively referred to as “covered persons”), must conduct themselves accordingly.

If a law conflicts with a policy in this Code, you must comply with the law. If you have any questions about these conflicts, you should ask your supervisor or a member of management about how to handle the situation.

Those who violate the standards in this Code will be subject to disciplinary action, up to and including immediate termination of employment. If you are in a situation which you believe may violate or lead to a violation of this Code, you must inform the Company and follow the guidelines described in Section 9. Any reporting procedure described in this Code does not limit you from taking any additional reporting measures you may deem necessary or appropriate. Please note this Code does not prohibit covered persons from discussing and disclosing information regarding the terms and conditions of their employment or otherwise engaging in protected activity as permitted by the National Labor Relations Act.

1. Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Company’s ethical standards are built. All covered persons must, in the course of the Company’s business, respect and obey the laws of the cities and states in which we operate. Although not all covered persons are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

2. Conflicts of Interest

A “conflict of interest” exists when a person’s private interest interferes or appears to interfere in more than a *de minimis* way with the employee’s ability to make sound business decisions on behalf of the Company and the interests of the Company. A conflict situation can arise when a covered person takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when a covered person (or one or more members of his or her family) receives improper and unauthorized personal benefits as a result of the covered person’s position in the Company. Loans to, or guarantees of obligations of, covered persons and their family members may create conflicts of interest. Furthermore, for so long as the Company remains subject to the provisions of the Securities Exchange Act of 1934, loans and any extensions of credit to executive officers are prohibited by applicable federal law.

It is almost always a conflict of interest for a covered person to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or board member. Transactions or roles involving conflicts of interest are prohibited as a matter of Company policy, except as specifically approved by the Board of Directors or consistent with approved guidance or policy of the board, and in any event compliant with applicable state law and other rules and regulations that may apply to the Company. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with management or the Company’s legal counsel. Any covered person who becomes aware of a conflict or potential conflict should consult the procedures described in Section 9 of this Code and, if appropriate, bring it to the attention of their supervisor, the CFO or the Chairman of the Board of Directors.

3. Corporate Opportunities

Covered persons are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the prior written consent of the Board of Directors. Covered persons owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

4. Competition and Fair Dealing

We seek to outperform our competition fairly and honestly and in compliance with applicable law. Stealing proprietary information, possessing trade secret information that was obtained without the owner’s consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each covered person must endeavor to respect the rights of and deal fairly with the Company’s customers, suppliers, competitors and employees. Covered persons must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice in conducting their duties for the Company.

5. Confidentiality

Employees must maintain the confidentiality of confidential information entrusted to them by the Company or its customers or suppliers, except as required in the performance of duties for the Company or when disclosure is authorized by management, legal counsel to the Company, or otherwise required by applicable laws or regulations. Confidential information includes all non-public information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use or is or harmful to the Company or its customers, if disclosed. The obligation to preserve confidential information continues even after employment ends.

6. Protection and Proper Use of Company Assets

All covered persons should endeavor to protect the Company’s assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company’s profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company equipment should not be used for non-Company business, though incidental and *de minimis* personal use may be permitted as long as such use does not interfere with the covered person’s performance of duties for the Company or otherwise negatively impact the Company’s business.

The obligation of employees to protect the Company’s assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. Under certain circumstances, such use or distribution could also be illegal and result in civil or even criminal penalties.

7. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's legal counsel can provide guidance to you in this area.

8. Accurate Public Disclosures

Full, fair, accurate, timely and understandable disclosures in the Company's periodic reports filed with the SEC and press releases is legally required and is essential to the success of our business. Our management is required to exercise the highest standard of care in preparing such public disclosures. Furthermore, we expect all covered persons to provide members of our management with accurate and clear information whenever they are asked to provide any information in connection with such public disclosures (or whenever they reasonably believe such information will be used in such public disclosures). The following guidelines are intended to be instructive but are not comprehensive:

- All Company accounting records, as well as reports produced from those records, must comply with applicable laws, regulations, and industry standards.
- All records, including accounting records, must fairly and accurately reflect the transactions or occurrences to which they relate.
- All accounting records must fairly and accurately reflect, in reasonable detail, the Company's assets, liabilities, revenues and expenses.
- The Company's accounting records must not contain any false or intentionally misleading entries.
- All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.
- No information should be concealed from the independent auditors.

9. Reporting Code Violations and General Compliance Procedures

Your conduct can reinforce an ethical atmosphere and positively influence the conduct of fellow employees. If you are powerless to stop suspected misconduct or if you discover it after it has occurred, you should consider the following guidelines. In some situations it is difficult to know if a violation has occurred. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. Subject in all events to applicable law, these are the steps to keep in mind:

- Try to obtain all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- If you are being asked to do something, then ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- If you are an employee, consider discussing the problem with your immediate supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.

If you speak with your immediate supervisor but remain concerned, or if you feel uncomfortable speaking with your immediate supervisor (for whatever reason), you must (anonymously, if you wish) send a detailed note, with relevant documents, to: Western Capital Resources, Inc., at 11550 "I" Street, Suite 150, Omaha, Nebraska 68137 (attention: Chief Financial Officer).

If you have reason to believe that the CFO will not address your concerns, or if you believe your concerns have not been addressed by the CFO, you may address any concerns to the attention of the Chairman of the Audit Committee of the Company, Ellery Roberts, or to anonymousreporting@wcrimail.com.

Your calls, detailed notes and/or e-mails will be dealt with confidentially to the extent possible to conduct an investigation (if necessary) into the matter and take appropriate action. You have the commitment of the Company and its Board of Directors that you will be protected from retaliation for any report of alleged misconduct submitted in good faith. Retaliation by anyone against any such reporting person will not be tolerated.

The Company strictly prohibits retaliation for making a report or for participating in an investigation. You may be asked to provide information relating to possible violations of this Code or other Company policies. In any such event, the Company expects that you will fully cooperate with any internal investigations, including any such investigations relating to accounting, financial and audit matters.

10. Waivers of the Code

Any waiver of this Code for our management may be made only by the Board of Directors or a board committee and must be promptly disclosed as required by law or applicable stock exchange regulation.

11. Violations

The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code or any required procedures under this Code. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code and its prescribed procedures, and may include written notices to the individual involved that the board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits (as determined by the board) and termination of the individual's employment.

In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past, and any other factors the Board deems important.

Exhibit 21.1

Subsidiaries of Western Capital Resources, Inc.

The following are subsidiaries of Western Capital Resources, Inc.:

	State of Incorporation/Organization
Wyoming Financial Lenders, Inc.	Wyoming
PQH Wireless, Inc.	Nebraska
Express Pawn, Inc.	Nevada
AlphaGraphics, Inc.	Delaware
BC Alpha, LLC	Delaware
BC Alpha Holdings II, LLC	Delaware
J&P Park Acquisitions, Inc.	Delaware
Restorers Acquisition, Inc.	Delaware
J&P Real Estate, LLC	Delaware
Green Communications, LLC	Arizona
Green Communications, LLC	Oregon
Green Communications, LLC	Washington
Go Green, LLC	Arizona
PQH South, LLC	Delaware

Exhibit 31.1

SECTION 302 CERTIFICATION

I, John Quandahl, certify that:

1. I have reviewed this annual report on Form 10-K 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 the 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 registrant's internal control over financial reporting.

Date: March 31, 2017

/s/ John Quandahl
John Quandahl
Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Steve Irlbeck, certify that:

1. I have reviewed this annual report on Form 10-K 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 the 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 registrant's internal control over financial reporting.

Date: March 31, 2017

/s/ Steve Irlbeck
Steve Irlbeck
Chief Financial Officer

Exhibit 32

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 Annual Report of Western Capital Resources, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2016, 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, Steve 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 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
John Quandahl
Director, Chief Executive Officer and Chief Operating Officer

March 31, 2017

/s/ Steve Irlbeck
Steve Irlbeck
Chief Financial Officer

March 31, 2017