
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2021

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

Commission File Number: 000-52015

Western Capital Resources, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

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

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

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

N/A

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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 such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

As of November 12, 2021, the registrant had outstanding 9,108,053 shares of common stock, \$0.0001 par value per share.

Western Capital Resources, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

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WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,015,594	\$ 32,504,803
Short-term investments	36,827,491	17,088,073
Loans receivable (net of allowance for credit losses of \$281,000 and \$315,000, respectively)	1,977,770	1,941,180
Accounts receivable (net of allowance for credit losses of \$24,000 and \$33,000, respectively)	1,902,147	1,538,377
Inventories (less reserve of \$1,497,000 and \$1,321,000, respectively)	16,069,388	11,739,228
Prepaid income taxes	293,037	246,560
Prepaid expenses and other	3,195,979	3,096,058
TOTAL CURRENT ASSETS	<u>73,281,406</u>	<u>68,154,279</u>
Investments	—	250,000
Property and equipment, net	8,553,179	8,509,971
Operating lease right-of-use assets	17,789,840	15,751,687
Intangible assets, net	7,471,329	3,585,919
Deferred income taxes	354,000	254,000
Other loans receivable	267,970	368,071
Other	544,070	471,991
Goodwill	5,796,528	5,796,528
TOTAL ASSETS	<u>\$ 114,058,322</u>	<u>\$ 103,142,446</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,152,741	\$ 8,492,721
Accrued payroll	2,987,643	3,439,535
Current portion operating lease liabilities	6,017,746	5,111,429
Other current liabilities	1,689,362	1,403,249
Current portion long-term debt	1,065,067	—
Contract and other liabilities	649,869	774,625
TOTAL CURRENT LIABILITIES	<u>22,562,428</u>	<u>19,221,559</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	2,000,000	3,110,148
Operating lease liabilities, net of current portion	12,093,067	11,222,095
TOTAL LONG-TERM LIABILITIES	<u>14,093,067</u>	<u>14,332,243</u>
TOTAL LIABILITIES	<u>36,655,495</u>	<u>33,553,802</u>
COMMITMENTS AND CONTINGENCIES (Note 12)		—
EQUITY		
WESTERN SHAREHOLDERS' EQUITY		
Common stock, \$0.0001 par value, 12,500,000 shares authorized, 9,108,053 and 9,249,900 issued and outstanding as of September 30, 2021 and December 31, 2020 (as restated), respectively	911	925
Additional paid-in capital	29,562,271	29,562,271
Retained earnings	46,080,975	38,470,323
TOTAL WESTERN SHAREHOLDERS' EQUITY	<u>75,644,157</u>	<u>68,033,519</u>
Noncontrolling interests	1,758,670	1,555,125
TOTAL EQUITY	<u>77,402,827</u>	<u>69,588,644</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 114,058,322</u>	<u>\$ 103,142,446</u>

See notes to condensed consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
REVENUES				
Sales and associated fees	\$ 29,544,072	\$ 28,002,269	\$ 104,649,288	\$ 96,394,365
Financing fees and interest	1,115,322	1,419,231	2,997,918	4,636,027
Other revenues	5,746,738	5,299,225	16,853,723	15,124,047
Total Revenues	<u>36,406,132</u>	<u>34,720,725</u>	<u>124,500,929</u>	<u>116,154,439</u>
COST OF REVENUES				
Cost of sales	18,118,213	17,441,206	60,830,925	54,464,319
Provisions for loans receivable credit losses	22,225	30,768	(157,471)	110,165
Total Cost of Revenues	<u>18,140,438</u>	<u>17,471,974</u>	<u>60,673,454</u>	<u>54,574,484</u>
GROSS PROFIT	<u>18,265,694</u>	<u>17,248,751</u>	<u>63,827,475</u>	<u>61,579,955</u>
OPERATING EXPENSES				
Salaries, wages and benefits	8,867,133	8,565,862	26,570,135	25,859,972
Occupancy	2,630,211	2,637,085	7,657,526	8,269,256
Advertising, marketing and development	1,553,548	1,053,363	5,989,736	5,121,150
Depreciation	406,150	468,903	1,194,820	1,463,203
Amortization	205,387	167,960	523,790	542,023
Other	2,437,554	2,125,646	7,226,822	8,279,056
Total Operating Expenses	<u>16,099,983</u>	<u>15,018,819</u>	<u>49,162,829</u>	<u>49,534,660</u>
OPERATING INCOME	<u>2,165,711</u>	<u>2,229,932</u>	<u>14,664,646</u>	<u>12,045,295</u>
OTHER INCOME (EXPENSES):				
Dividend and interest income	9,352	54,596	50,854	265,043
Interest expense	(15,325)	(83,003)	(48,039)	(281,036)
Total Other Income (Expenses)	<u>(5,973)</u>	<u>(28,407)</u>	<u>2,815</u>	<u>(15,993)</u>
INCOME BEFORE INCOME TAXES	<u>2,159,738</u>	<u>2,201,525</u>	<u>14,667,461</u>	<u>12,029,302</u>
PROVISION FOR INCOME TAX EXPENSE	<u>417,000</u>	<u>463,420</u>	<u>3,135,600</u>	<u>2,610,530</u>
NET INCOME	<u>1,742,738</u>	<u>1,738,105</u>	<u>11,531,861</u>	<u>9,418,772</u>
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(750,103)</u>	<u>(575,748)</u>	<u>(2,234,545)</u>	<u>(1,492,220)</u>
NET INCOME ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS	<u>\$ 992,635</u>	<u>\$ 1,162,357</u>	<u>\$ 9,297,316</u>	<u>\$ 7,926,552</u>
EARNINGS PER SHARE ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS				
Basic	\$ 0.11	\$ 0.12	\$ 1.01	\$ 0.83
Diluted	\$ 0.11	\$ 0.12	\$ 1.01	\$ 0.83
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	9,210,971	9,482,440	9,236,781	9,591,895
Diluted	9,223,622	9,482,440	9,246,146	9,591,895

See notes to condensed consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

Western Capital Resources, Inc. Shareholders'						
Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interests	Total
BALANCE – December 31, 2020	9,249,900	\$ 925	\$ 29,562,271	\$ 38,470,323	\$ 1,555,125	\$ 69,588,644
Net income	—	—	—	3,909,712	769,571	4,679,283
Distributions to noncontrolling interests	—	—	—	—	(372,000)	(372,000)
Dividends paid	—	—	—	(231,248)	—	(231,248)
BALANCE – March 31, 2021	9,249,900	925	29,562,271	42,148,787	1,952,696	73,664,679
Net income	—	—	—	4,394,969	714,871	5,109,840
Distributions to noncontrolling interests	—	—	—	—	(815,000)	(815,000)
Dividends paid	—	—	—	(231,248)	—	(231,248)
BALANCE – June 30, 2021	9,249,900	925	29,562,271	46,312,508	1,852,567	77,728,271
Net income	—	—	—	992,635	750,103	1,742,738
Distributions to noncontrolling interests	—	—	—	—	(844,000)	(844,000)
Stock redemption	(141,847)	(14)	—	(992,920)	—	(992,934)
Dividends paid	—	—	—	(231,248)	—	(231,248)
BALANCE – September 30, 2021	9,108,053	\$ 911	\$ 29,562,271	\$ 46,080,975	\$ 1,758,670	\$ 77,402,827

Western Capital Resources, Inc. Shareholders'						
Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interests	Total
BALANCE – December 31, 2019 (as restated)	9,673,778	\$ 968	\$ 29,562,271	\$ 33,706,035	\$ 2,574,834	\$ 65,844,108
Net income	—	—	—	1,713,247	462,568	2,175,815
Plus pre-acquisition net loss of acquiree	—	—	—	191,088	—	191,088
Distributions to noncontrolling interests	—	—	—	—	(45,000)	(45,000)
Dividends paid	—	—	—	(463,289)	—	(463,289)
BALANCE – March 31, 2020	9,673,778	968	29,562,271	35,147,081	2,992,402	67,702,722
Net income	—	—	—	5,050,948	453,904	5,504,852
Less pre-acquisition net income of acquiree	—	—	—	(437,215)	—	(437,215)
Distributions to noncontrolling interests	—	—	—	—	(1,079,602)	(1,079,602)
Stock redemption	(130,889)	(14)	—	(547,169)	—	(547,183)
Dividends paid	—	—	—	(230,865)	—	(230,865)
BALANCE – June 30, 2020	9,542,889	954	29,562,271	38,982,780	2,366,704	70,912,709
Net income	—	—	—	1,162,357	575,748	1,738,105
Less pre-acquisition net loss of acquiree	—	—	—	(161,555)	—	(161,555)
Distributions to noncontrolling interests	—	—	—	—	(878,000)	(878,000)
Stock redemption	(281,073)	(28)	—	(1,686,399)	—	(1,686,427)
Dividends paid	—	—	—	(228,373)	—	(228,373)
BALANCE – September 30, 2020	9,261,816	\$ 926	\$ 29,562,271	\$ 38,068,810	\$ 2,064,452	\$ 69,696,459

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2021	September 30, 2020
OPERATING ACTIVITIES		
Net income	\$ 11,531,861	\$ 9,418,772
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,233,704	1,512,119
Amortization	523,790	542,023
Amortization of operating lease right-of-use assets	4,260,487	4,530,904
Deferred income taxes	(100,000)	(18,000)
(Gain) Loss on disposal of assets	(41,176)	435,175
Accrued interest from investing activities	(8,946)	4,070
Changes in operating assets and liabilities:		
Loans receivable	(36,590)	1,263,006
Accounts receivable	(363,770)	(1,094,104)
Inventory	(4,170,525)	774,653
Prepaid expenses and other assets	(124,398)	242,269
Operating lease liabilities	(4,906,940)	(5,229,819)
Accounts payable and accrued expenses	1,295,164	(131,305)
Contract and other liabilities	(292,344)	(293,939)
Net cash and cash equivalents provided by operating activities	<u>8,800,317</u>	<u>11,955,824</u>
INVESTING ACTIVITIES		
Purchases of investments	(34,040,136)	(37,263,764)
Proceeds from investments	14,500,000	35,417,921
Purchases of property and equipment	(823,669)	(529,044)
Acquisition of stores, net of cash acquired	(4,687,063)	(566,586)
Advances on loans receivable	—	(6,590)
Proceeds from the disposal of operating assets	2,500	391,089
Net cash and cash equivalents used in investing activities	<u>(25,048,368)</u>	<u>(2,556,974)</u>
FINANCING ACTIVITIES		
Advances on notes payable – long-term	819,909	662,959
Payments on notes payable – long-term	(851,444)	(2,663,713)
Payments on finance leases	—	(1,161)
Distributions to noncontrolling interests	(1,921,000)	(1,749,337)
Common stock redemptions	(594,879)	(1,619,754)
Payments of dividends	(693,744)	(922,527)
Net cash and cash equivalents used in financing activities	<u>(3,241,158)</u>	<u>(6,293,533)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,489,209)	3,105,317
CASH AND CASH EQUIVALENTS		
Beginning of period	<u>32,504,803</u>	<u>27,160,991</u>
End of period	<u>\$ 13,015,594</u>	<u>\$ 30,266,308</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	\$ 3,292,226	\$ 2,952,337
Interest paid	\$ 185,256	\$ 102,189
Noncash investing and financing activities:		
Right-of-use assets obtained and operating lease obligations incurred	\$ 5,284,679	\$ 2,716,178
Right-of-use asset disposals	\$ —	\$ 1,145,732
Right-of-use liability disposals	\$ —	\$ 706,030
Unsettled stock repurchases	\$ 398,055	\$ 613,856
Distribution to noncontrolling interests applied to loans receivable	\$ 105,000	\$ 253,265
Noncurrent liability converted to long-term debt – related party	\$ 2,500,000	\$ —
Number of shares issued in transaction with entities under common control	408,000	—

See notes to condensed consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Nature of Business –

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

Cellular Retail

PQH Wireless, Inc. (“PQH”) (100%) – operates 231 cellular retail stores as of September 30, 2021 (130 100% owned plus 101 held through its controlled but less than 100% owned subsidiaries), exclusively as an authorized retailer of the Cricket brand.

Direct to Consumer

J&P Park Acquisitions, Inc. (“JPPA”) (100%) – an online and direct marketing distribution retailer of 1) live plants, seeds, holiday gifts and garden accessories selling its products under Park Seed, Jackson & Perkins, and Wayside Gardens brand names and 2) home improvement and restoration products operating under the Van Dyke’s Restorers brand, as well as a seed wholesaler under the Park Wholesale brand.

J&P Real Estate, LLC (“JPRE”) (100%) – owns real estate utilized as JPPA’s distribution and warehouse facility.

Manufacturing

Swisher Acquisition, Inc. (“SAI”) (100%) - a manufacturer of lawn and garden power equipment and emergency safety shelters under the Swisher brand name, and a provider of turn-key manufacturing services to third parties.

Consumer Finance

Wyoming Financial Lenders, Inc. (“WFL”) (100%) – owns and operates “payday” stores (19 as of September 30, 2021) in four states (Iowa, Kansas, North Dakota 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 September 30, 2021) 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,” “we” or “us” refer to Western Capital Resources, Inc. and its subsidiaries. References to specific companies within our enterprise, such as “PQH,” “JPPA,” “JPRE,” “SAI,” “WFL,” or “EPI” are references only to those companies.

2. Summary of Significant Accounting Policies –

Basis of Presentation

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

On January 8, 2021, we completed a merger with SAI (“Merger Transaction”). The Company issued 408,000 shares of our common stock in exchange for all of the equity interest of SAI resulting in SAI becoming a wholly-owned subsidiary of the Company. The transaction falls under the guidance of Accounting Standards Codification (“ASC”) 805, “Business Combinations” for entities under common control. Financial statements and financial information presented herein for prior years has been retrospectively adjusted using the pooling-of-interest method to furnish enhanced comparative information.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

Management has analyzed the impact of the Coronavirus pandemic (“COVID-19”) on its financial statements as of September 30, 2021 and has determined that the changes to its significant judgements and estimates did not have a material impact with respect to goodwill, intangible assets or long-lived assets.

For further information, refer to the Consolidated Financial Statements and notes thereto included in our Form 10-K for the year ended December 31, 2020.

Basis of Consolidation

The consolidated financial statements include the accounts of 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, "Consolidation" applicable to reporting the equity and net income or loss attributable to noncontrolling interests. 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, estimated expected lifetime credits losses, economic conditions or future economic trends and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates. Significant management estimates relate to the loans receivable allowance for credit losses, carrying value and impairment of goodwill, other long-lived assets, right-of-use assets and related liabilities (including the applicable discount rate), inventory valuation and obsolescence, estimated useful lives of intangible assets and property and equipment, gift certificate and merchandise credits liability and deferred taxes and tax uncertainties.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Inventory

Manufacturing

Inventory is stated at the lower of cost or market. Cost for manufactured finished goods is determined using the standard cost method. Raw materials consist primarily of parts used to make products. Fabricated components consist of processed raw materials, capitalized labor and overhead. Finished goods consist of completed products, parts and accessories available for sale. An inventory valuation allowance is provided for excess, obsolete and slow-moving inventory.

Earnings Per Common Share

The Company computes basic earnings per common share ("EPS") in accordance with ASC 260, "Earnings Per Share," which is computed by dividing the income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period, as calculated using the treasury stock method. In computing diluted EPS, the weighted average market price for the period is used in determining the number of common shares assumed to be purchased from the exercise of stock options. As of September 30, 2020, 65,000 of potential common shares equivalents from stock options were excluded from the diluted EPS calculations as their effect is anti-dilutive.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which eliminates certain exceptions to the existing guidance for income taxes related to the approach for intra-period tax allocations, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This ASU also simplifies the accounting for income taxes by clarifying and amending existing guidance related to the effects of enacted changes in tax laws or rates in the effective tax rate computation, the recognition of franchise tax and the evaluation of a step-up in the tax basis of goodwill, among other clarifications. ASU 2019-12 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 on January 1, 2021, the adoption of which did not have a material impact on its 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.

3. Risks Inherent in the Operating Environment –

Supply Chain - Fluctuations in the availability and price of inputs could have an adverse effect on our ability to manufacture and sell our products profitably and could adversely affect our margins and revenue.

Our manufacturing operations depend upon the adequate supply of steel, engines and other components of raw materials. Our direct-to-consumer operations depend upon an adequate supply of, among other things, seeds and live plants. Our inability to procure any of these production materials, components or finished goods, delays in receiving them or not being able to procure them at competitive prices, particularly during applicable peak seasons, could adversely impact our ability to produce our products and to sell our products on a cost effective basis which, in turn, could adversely affect our revenue and profitability.

Our results of operations may be negatively impacted by product liability lawsuits.

The Company's Manufacturing segment is subject to potential product liability risks that relate to the design, manufacture, sale and use of our products. To date, we have not incurred material costs related to these product liability claims. While we believe our current general liability and product liability insurance is adequate to protect us from future product liability claims, there can be no assurance that our coverage will be adequate to cover all claims that may arise. Additionally, we may not be able to maintain insurance coverage in the future at an acceptable cost. Significant losses not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, it may be necessary for us to recall products that do not meet approved specifications, which could result in adverse publicity as well as costs connected to the recall and loss of revenue.

Regulatory

The Company's 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. 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. After several years of research, debate, and public hearings, in October 2017 the U.S. Consumer Financial Protection Bureau ("CFPB") adopted a new rule for payday lending. The 2017 rule, originally scheduled to go into effect in August 2019, would have imposed significant restrictions on the industry, and it was expected that a large number of lenders would be forced to close their stores. The CFPB's studies projected a reduction in the number of lenders by 50%, while industry studies forecasted a much higher attrition rate if the rule is implemented as originally adopted.

However, in January 2018, the CFPB issued a statement that it intended to "reconsider" the regulation. In July 2020, the CFPB issued a final rule applicable to the 2017 rule. The final rule rescinded the mandatory underwriting provisions of the 2017 rule but did not rescind or alter the payments provisions of the 2017 rule. The CFPB will seek to have these rules go into effect with a reasonable period for entities to come into compliance. The implementation of the final rule is likely to result in a reduction of in-house bad debt collections, higher collection costs and thus a negative impact and further contraction of our Consumer Finance segment.

The above rule or any other adverse change in present federal, state, or local 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, or a 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, additional state or local 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.

4. Cash and Cash Equivalents and Investments –

The following table shows the Company's cash and cash equivalents, held-to-maturity investments, and other investments by significant investment category, recorded as cash and cash equivalents or short- and long-term investments:

	September 30, 2021	December 31, 2020
Cash and cash equivalents		
Operating accounts	\$ 13,003,994	\$ 16,539,720
Money Market – U.S. Treasury obligations	11,600	2,565,296
U.S. Treasury obligations	—	13,399,787
<i>Subtotal</i>	<u>13,015,594</u>	<u>32,504,803</u>
Investments		
Certificates of deposit (9 – 18 month maturities, FDIC insured)	3,034,942	17,338,073
U.S. Treasury obligations (less than one year maturities)	33,792,549	—
<i>Subtotal</i>	<u>36,827,491</u>	<u>17,338,073</u>
TOTAL	<u>\$ 49,843,085</u>	<u>\$ 49,842,876</u>

Investments consisted of the following:

September 30, 2021						
	Level 1	Level 2	Level 3	Amortized Cost	Unrealized Loss	Estimated Fair Value
Certificates of deposit	\$ —	\$ 3,034,942	\$ —	\$ 3,034,942	\$ (334)	\$ 3,034,608
U.S. Treasury obligations	33,792,549	—	—	33,792,549	(1,821)	33,790,728
	<u>\$ 33,792,549</u>	<u>\$ 3,034,942</u>	<u>\$ —</u>	<u>\$ 36,827,491</u>	<u>\$ (2,155)</u>	<u>\$ 36,825,336</u>

December 31, 2020						
	Level 1	Level 2	Level 3	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value
Certificates of deposit	\$ —	\$ 17,338,073	\$ —	\$ 17,338,073	\$ (23,814)	\$ 17,314,259
U.S. Treasury obligations	—	—	—	—	—	—
	<u>\$ —</u>	<u>\$ 17,338,073</u>	<u>\$ —</u>	<u>\$ 17,338,073</u>	<u>\$ (23,814)</u>	<u>\$ 17,314,259</u>

Interest income recognized on held-to-maturity investments and other sources was as follows:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Held-to-maturity	\$ 1,823	\$ —	\$ 3,072	\$ 66,770
Other	7,529	54,596	47,782	198,273
	<u>\$ 9,352</u>	<u>\$ 54,596</u>	<u>\$ 50,854</u>	<u>\$ 265,043</u>

The Company has demand deposits at financial institutions, often times in excess of the limit for insurance by the Federal Deposit Insurance Corporation. As of September 30, 2021, the Company had demand deposits in excess of insurance amounts of approximately \$7.04 million.

The Company has deposited in aggregate \$2.79 million of cash across many different accounts at financial institutions as an accommodation to its majority stockholder, which has other business relationships with the financial institution. The funds in these accounts can be withdrawn at any time, do not serve as collateral in any way, and are held on market terms.

5. Loans Receivable –

The Consumer Finance segment's outstanding loans receivable aging is as follows:

September 30, 2021				
	Payday	Pawn	Total	
Current	\$ 1,579,453	\$ 302,280	\$ 1,881,733	
1-30	108,308	—	108,308	
31-60	82,588	—	82,588	
61-90	59,040	—	59,040	
91-120	58,237	—	58,237	
121-150	36,116	—	36,116	
151-180	32,748	—	32,748	
	1,956,490	302,280	2,258,770	
Less allowance for credit losses	(281,000)	—	(281,000)	
	<u>\$ 1,675,490</u>	<u>\$ 302,280</u>	<u>\$ 1,977,770</u>	

December 31, 2020				
	Payday	Installment	Pawn	Total
Current	\$ 1,558,292	\$ 11,718	\$ 272,669	\$ 1,842,679
1-30	117,747	3,547	—	121,294
31-60	94,135	1,434	—	95,569
61-90	59,263	370	—	59,633
91-120	46,777	—	—	46,777
121-150	38,422	—	—	38,422
151-180	51,806	—	—	51,806
	1,966,442	17,069	272,669	2,256,180
Less allowance for credit losses	(315,000)	—	—	(315,000)
	<u>\$ 1,651,442</u>	<u>\$ 17,069</u>	<u>\$ 272,669</u>	<u>\$ 1,941,180</u>

6. Accounts Receivable –

A breakdown of accounts receivables by segment is as follows:

September 30, 2021					
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Total
Accounts receivable	\$ 270,279	\$ 483,676	\$ 1,149,533	\$ 22,659	\$ 1,926,147
Less allowance for credit losses	—	(9,000)	(15,000)	—	(24,000)
Net accounts receivable	\$ 270,279	\$ 474,676	\$ 1,134,533	\$ 22,659	\$ 1,902,147

December 31, 2020					
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Total
Accounts receivable	\$ 325,041	\$ 271,742	\$ 920,712	\$ 53,882	\$ 1,571,377
Less allowance for credit losses	—	(18,000)	(15,000)	—	(33,000)
Net accounts receivable	\$ 325,041	\$ 253,742	\$ 905,712	\$ 53,882	\$ 1,538,377

A portion of accounts receivable are unsettled credit card sales from the prior one to five business days. Included in Accounts Receivable is \$574,633 and \$492,213 of merchant accounts receivable as of September 30, 2021 and December 31, 2020, respectively.

7. Inventory –

A breakdown of inventory is as follows:

September 30, 2021						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Reserve	Total
Raw materials	\$ —	\$ —	\$ 2,063,392	\$ —	\$ (292,000)	\$ 1,771,392
Work in process	—	—	445,203	—	(36,000)	409,203
Finished goods	6,593,741	5,841,340	1,814,932	807,780	(1,169,000)	13,888,793
Total	\$ 6,593,741	\$ 5,841,340	\$ 4,323,527	\$ 807,780	\$ (1,497,000)	\$ 16,069,388

December 31, 2020						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Reserve	Total
Raw materials	\$ —	\$ —	\$ 1,620,157	\$ —	\$ (311,000)	\$ 1,309,157
Work in process	—	—	260,421	—	—	260,421
Finished goods	5,405,993	3,433,460	1,603,282	736,915	(1,010,000)	10,169,650
Total	\$ 5,405,993	\$ 3,433,460	\$ 3,483,860	\$ 736,915	\$ (1,321,000)	\$ 11,739,228

Inventory write-downs have been reflected in adjustments to cost of goods sold in the Statements of Income. Management believes that these reductions properly reflect inventory values, and no additional losses will be incurred upon disposition.

8. Advertising, Marketing and Development –

Prepaid direct-response advertising costs as of September 30, 2021 and December 31, 2020 were \$0 and \$0.48 million, respectively. Included in Advertising, Marketing and Development for the three and nine month periods ended September 30, 2021 and 2020 were advertising expenses of \$1.41 million and \$0.72 million and \$4.58 million and \$4.15 million, respectively.

9. Leases –

Total components of operating lease expense (in thousands) are as follows:

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Operating lease expense	\$ 1,746	\$ 4,961
Variable lease expense	433	1,373
Total lease expense	\$ 2,179	\$ 6,334

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Operating lease expense	\$ 1,676	\$ 5,257
Variable lease expense	486	1,569
Total lease expense	\$ 2,162	\$ 6,826

Other information related to operating leases was as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Weighted average remaining lease term, in years	5.76	6.49
Weighted average discount rate	4.1%	4.8%

Future minimum lease payments under operating leases as of September 30, 2021 (in thousands) are as follows:

Remainder of 2021	\$	1,815
2022		6,202
2023		4,224
2024		2,392
2025		1,230
2026		4,458
Thereafter		38
Total future minimum lease payments		<u>20,359</u>
Less: imputed interest		<u>(2,248)</u>
Total	/ \$	<u>18,111</u>
Current portion operating lease liabilities	\$	6,018
Non-current operating lease liabilities		<u>12,093</u>
Total	\$	<u>18,111</u>

10. Intangible Assets –

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

	<u>December 31, 2020</u>	<u>Acquisitions</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2021</u>
Customer relationships	\$ 7,727,054	\$ 4,411,700	\$ —	\$ (2,500)	\$ 12,136,254
Other	242,655	—	—	—	242,655
Amortizable Intangible assets	<u>7,969,709</u>	<u>4,411,700</u>	<u>—</u>	<u>(2,500)</u>	<u>12,378,909</u>
Less accumulated amortization	<u>(4,383,790)</u>	<u>—</u>	<u>(523,790)</u>	<u>—</u>	<u>(4,907,580)</u>
Net Amortizable Intangible Assets	3,585,919	4,411,700	(523,790)	(2,500)	7,471,329
Non-amortizable trademarks	—	—	—	—	—
Intangible Assets, net	<u>\$ 3,585,919</u>	<u>\$ 4,411,700</u>	<u>\$ (523,790)</u>	<u>\$ (2,500)</u>	<u>\$ 7,471,329</u>

	<u>December 31, 2019</u>	<u>Acquisitions</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>
Customer relationships	\$ 10,002,031	\$ 234,020	\$ —	\$ (2,508,997)	\$ 7,727,054
Other	242,655	—	—	—	242,655
Amortizable Intangible assets	<u>10,244,686</u>	<u>234,020</u>	<u>—</u>	<u>(2,508,997)</u>	<u>7,969,709</u>
Less accumulated amortization	<u>(6,190,133)</u>	<u>—</u>	<u>(702,654)</u>	<u>2,508,997</u>	<u>(4,383,790)</u>
Net Amortizable Intangible Assets	4,054,553	234,020	(702,654)	—	3,585,919
Non-amortizable trademarks	—	—	—	—	—
Intangible Assets, net	<u>\$ 4,054,553</u>	<u>\$ 234,020</u>	<u>\$ (702,654)</u>	<u>\$ —</u>	<u>\$ 3,585,919</u>

As of September 30, 2021, estimated future amortization expense for the amortizable intangible assets is as follows:

Remainder of 2021	\$ 321,177
2022	1,224,214
2023	1,138,126
2024	1,046,799
2025	950,588
Thereafter	2,790,425
	<u>\$ 7,471,329</u>

11. Notes Payable – Long Term –

A breakdown of notes payable – long term is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Bank revolving loan	\$ 815,067	\$ —
Subordinated loans – related parties	—	596,602
Subordinated note payable - related party	<u>2,250,000</u>	<u>2,513,546</u>
Total	3,065,067	3,110,148
Less current maturities	<u>(1,065,067)</u>	<u>—</u>
	<u>\$ 2,000,000</u>	<u>\$ 3,110,148</u>

Future minimum long-term principal payments are as follows:

Year 1	\$	1,065,067
Year 2		250,000
Year 3		250,000
Year 4		250,000
Year 5		250,000
Thereafter		1,000,000
Total	\$	<u>3,065,067</u>

On October 22, 2010 SAI obtained a senior credit facility (“Revolving Loan”) with a bank. The Revolving Loan, as previously amended, had a credit limit of up to \$4,500,000 based on percentages of eligible inventory, an interest rate of LIBOR plus 4.5% (4.625% at September 30, 2021), and a maturity date of October 21, 2021, and contained certain restrictive financial covenants. SAI entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with its senior lender on April 8, 2021. The Credit Agreement modified the revolving line of credit limit to \$2.5 million based on an inventory and receivables availability, and subjects SAI to various covenants, including a minimum Fixed Charge Coverage ratio and maximum Senior Funded Debt to EBITDA ratio. The Commercial Promissory Note associated with the Credit Agreement has a maturity date of April 30, 2022. The Revolving Loan, as amended, continues to be secured by substantially all assets of SAI.

On August 6, 2010 SAI executed secured subordinated promissory notes (“Subordinated Loans”) to borrow \$1,350,000 from parties that were majority shareholders of SAI until the Merger Transaction on January 8, 2021. The notes, as amended, included interest at 16% and a maturity date of December 31, 2023. Pursuant to the Merger Transaction, \$596,602 of principal and \$123,572 of accrued interest was paid at or around the closing of the Merger Transaction and the remaining principal balance of \$922,178 was repaid with WCR stock issued in the Merger Transaction. The \$922,178 repayment is presented herein retrospectively to furnish comparative information.

SAI was party to a Management and Advisory Agreement dated August 6, 2010, as amended April 1, 2012, with Blackstreet Capital Management, LLC (“Blackstreet”) under which Blackstreet provides certain financial, managerial, strategic and operating advice and assistance. The agreement required SAI to pay Blackstreet a fee in an amount equal to the greater of (i) \$250,000 (subject to annual increases of five percent) or (ii) five percent of SAI’s “EBITDA” as defined under the agreement. As of December 31, 2020, SAI owed Blackstreet \$2,513,546 of accrued fees under the agreement. On January 8, 2021, pursuant to the Merger Transaction, the agreement was terminated, \$13,546 of the accrued fees were paid to Blackstreet, and the remaining \$2,500,000 was converted into a subordinated note payable to Blackstreet. The note is payable in ten consecutive annual lump sum installments of \$250,000, without interest thereon, commencing on January 31, 2021, is unsecured and is guaranteed by the Company. The accrued liability converted to a note is presented herein retrospectively to furnish comparative information.

12. Commitments and Contingencies –

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.

13. Revenue –

Cellular Retail

Compensation from Cricket Wireless – As a Cricket Wireless authorized retailer, we earn compensation from Cricket Wireless for activating a new customer on the Cricket Wireless network and activating new devices for existing Cricket Wireless customers (“back-end compensation”) and upon an existing Cricket Wireless customer whom we originally activated on the Cricket Wireless GSM network making a continuing service payment (“CSP”). Compensation from Cricket Wireless for the three and nine month periods ended September 30, 2021 and 2020 was \$9.01 million and \$8.05 million and \$26.19 million and \$25.93 million, respectively. Due to COVID-19 and at the request of Cricket Wireless, the Cellular Retail segment temporarily closed approximately 75 retail locations in March 2020. Included in the compensation from Cricket Wireless for the three and nine month periods ended September 30, 2020 were COVID-19 related supplemental commissions of \$1.24 million and \$1.53 million, respectively.

Cellular Retail revenues are recognized per ASC 606, “Revenue Recognition” and consist of the following:

- Merchandise – merchandise sales, which exclude sales taxes, reflect the transaction price at point of sale when payment is received or receivable, the customer takes control of the merchandise and, applicable to devices, the device has been activated on the Cricket Wireless network. The sale and activation of a wireless device also correlates to the recording of back-end compensation from Cricket Wireless. Sales returns are not material to our financial statements. Merchandise sales revenue, which included back-end compensation from Cricket Wireless, is recorded in Sales and associated fees in the income statement.
- Other revenue – services revenue from customer paid fees is recorded at point of sale when payment is received and the customer receives the benefit of the service. CSP compensation from Cricket Wireless is recorded as of the time certain Cricket Wireless customers make a service payment, as reported to us by Cricket Wireless.

Direct to Consumer

Direct to Consumer revenue is recognized per ASC 606 and consists of the following:

- Merchandise – merchandise sales, which exclude sales taxes, reflect the transaction price when product is shipped to customers, FOB shipping point, reduced by variable consideration. Shipping and handling fees are included in total net sales. Variable consideration is comprised of estimated future returns and merchandise credits which are estimated based primarily on historical rates and sales levels.

Manufacturing

Manufacturing revenue is recognized per ASC 606 and consists of the following:

- Merchandise – merchandise sales, which exclude sales taxes, reflect the transaction price when product is shipped to customers, FOB shipping point, or at point of sale and are reduced by variable consideration. Shipping and handling fees are not included in total net sales and are an offset to freight-out expense. Variable consideration is comprised of estimated future returns and warranty liability which are estimated based primarily on historical rates and sales levels.

Consumer Finance

Consumer Finance revenue from merchandise sales is recognized per ASC 606 and consists of the following:

- Merchandise – merchandise sales, which exclude sales taxes, reflects the transaction price at point of sale in our pawn stores when payment in full is received and the customer takes control of the merchandise. Sales returns are not material to our financial statements.
- Other revenue – services revenue from customer paid fees for ancillary services is recorded at point of sale when payment is received and the customer receives the benefit of the service.

Consumer finance revenue from loan fees and interest is recognized per ASC 825 and consist of the following:

- Loan fees and interest – loan fees and interest on cash advance loans are recognized on a constant-yield basis ratably over a loan's term. 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, less an estimated amount for expected forfeited pawn loans which is based on historical forfeiture rates.

See Note 16, "Segment Information," for disaggregation of revenue by segment.

14. Other Operating Expense –

A breakout of other expense is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Bank fees	\$ 515,290	\$ 525,486	\$ 2,002,556	\$ 1,998,079
Collection costs	57,881	93,464	208,505	250,939
Insurance	163,510	200,531	492,807	616,177
Management and advisory fees	230,068	320,180	684,907	945,402
Professional and consulting fees	561,955	367,485	1,315,314	1,075,086
Supplies	215,132	200,455	541,978	632,127
(Gain) Loss on disposal	(1,744)	(3,000)	8,812	654,422
Other	695,462	421,045	1,971,943	2,106,824
	<u>\$ 2,437,554</u>	<u>\$ 2,125,646</u>	<u>\$ 7,226,822</u>	<u>\$ 8,279,056</u>

15. Acquisition –

Cellular Retail Acquisition

On September 9, 2021, the Company's Cellular Retail segment completed an acquisition of assets accounted for under ASC 805-50, acquiring 25 Cricket Wireless retail stores from another authorized Cricket retailer.

The purchase price calculation (in thousands) was as follows:

	2021
Cash	\$ 5,000
Purchase price reconciliation	(262)
	<u>\$ 4,738</u>

The assets acquired and liabilities assumed (in thousands) were recorded at their estimated fair values as of the purchase date as follows:

	2021
Cash	\$ 5
Inventory	160
Property and equipment	526
Intangible assets	4,412
Operating lease right-of-use assets	1,419
Other assets	93
Other liabilities	(458)
Operating lease liabilities	(1,419)
	<u>\$ 4,738</u>

16. Segment Information –

Segment information related to the three and nine month periods ended September 30, 2021 and 2020 (in thousands) is as follows:

Three Months Ended September 30, 2021						
(in thousands)						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 25,282	\$ 5,951	\$ 3,638	\$ 420	\$ —	\$ 35,291
Fees and interest income	\$ —	\$ —	\$ —	\$ 1,115	\$ —	\$ 1,115
Total revenue	\$ 25,282	\$ 5,951	\$ 3,638	\$ 1,535	\$ —	\$ 36,406
Net income (loss)	\$ 2,331	\$ (477)	\$ 69	\$ 205	\$ (385)	\$ 1,743
Expenditures for segmented assets	\$ 6,869	\$ 107	\$ 8	\$ —	\$ —	\$ 6,984

Three Months Ended September 30, 2020						
(in thousands)						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 22,589	\$ 5,901	\$ 4,433	\$ 379	\$ —	\$ 33,302
Fees and interest income	\$ —	\$ —	\$ —	\$ 1,419	\$ —	\$ 1,419
Total revenue	\$ 22,589	\$ 5,901	\$ 4,433	\$ 1,798	\$ —	\$ 34,721
Net income (loss)	\$ 1,717	\$ (60)	\$ 161	\$ 112	\$ (192)	\$ 1,738
Expenditures for segmented assets	\$ 62	\$ 138	\$ 24	\$ —	\$ —	\$ 224

Nine Months Ended September 30, 2021						
(in thousands)						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 76,087	\$ 33,731	\$ 10,363	\$ 1,322	\$ —	\$ 121,503
Fees and interest income	\$ —	\$ —	\$ —	\$ 2,998	\$ —	\$ 2,998
Total revenue	\$ 76,087	\$ 33,731	\$ 10,363	\$ 4,320	\$ —	\$ 124,501
Net income (loss)	\$ 7,172	\$ 4,301	\$ 463	\$ 494	\$ (898)	\$ 11,532
Total segment assets	\$ 42,343	\$ 15,326	\$ 10,547	\$ 6,701	\$ 39,141	\$ 114,058
Expenditures for segmented assets	\$ 7,178	\$ 253	\$ 9	\$ 10	\$ —	\$ 7,450

Nine Months Ended September 30, 2020						
(in thousands)						
	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 63,609	\$ 33,841	\$ 12,696	\$ 1,372	\$ —	\$ 111,518
Fees and interest income	\$ —	\$ —	\$ —	\$ 4,636	\$ —	\$ 4,636
Total revenue	\$ 63,609	\$ 33,841	\$ 12,696	\$ 6,008	\$ —	\$ 116,154
Net income (loss)	\$ 4,435	\$ 4,672	\$ 408	\$ 478	\$ (574)	\$ 9,419
Total segment assets	\$ 34,375	\$ 14,155	\$ 11,239	\$ 7,792	\$ 35,439	\$ 103,000
Expenditures for segmented assets	\$ 696	\$ 337	\$ 68	\$ —	\$ —	\$ 1,101

17. Basic and Diluted Weighted Average Shares Outstanding –

Following is the calculation of basic and diluted weighted average shares outstanding for the three and nine month periods ended on September 30, 2021 and 2020:

	Three Months Ended:	
	September 30, 2021	September 30, 2020
Weighted average shares outstanding - basic	9,210,971	9,074,440
Retroactive adjustment – shares issued January 8, 2021	—	408,000
Adjusted weighted average shares outstanding - basic	9,210,971	9,482,440
Dilutive common shares:		
Stock options (treasury method)	12,651	—
Weighted average shares outstanding - diluted	9,223,622	9,482,440
	Nine Months Ended:	
	September 30, 2021	September 30, 2020
Weighted average shares outstanding - basic	9,236,781	9,183,895
Retroactive adjustment – shares issued January 8, 2021	—	408,000
Adjusted weighted average shares outstanding - basic	9,236,781	9,591,895
Dilutive common shares:		
Stock options (treasury method)	9,365	—
Weighted average shares outstanding - diluted	9,246,146	9,591,895

18. Dividends –

Our Board of Directors declared and paid the following dividends during the three quarters of 2021:

Date Declared	Record Date	Dividend Per Share	Payment Date	Dividend Paid
February 15, 2021	February 23, 2021	\$0.025	March 5, 2021	\$231,248
May 6, 2021	May 21, 2021	\$0.025	June 4, 2021	\$231,248
August 5, 2021	August 24, 2021	\$0.025	September 3, 2021	\$231,248

19. Subsequent Events –

Dividend Declared

Our Board of Directors declared the following dividend after September 30, 2021:

Date Declared	Record Date	Dividend Per Share	Payment Date
November 4, 2021	November 22, 2021	\$0.025	December 3, 2021

We evaluated all events or transactions that occurred after September 30, 2021 through the date we issued these financial statements. During this period we did not have any other material subsequent events that impacted our financial statements.

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

Forward-Looking Statements

Some of the statements made in this report are “forward-looking statements,” as that term is defined under Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon our current expectations and projections about future events. Whenever used in this report, the words “believe,” “anticipate,” “intend,” “estimate,” “expect,” “will” 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 “Risk Factors” and “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 are not undertaking any obligation to update any 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:

- Supply chain disruptions and delays and related lost revenue or increased costs;
- Potential product liability risks that relate to the design, manufacture, sale and use of our Swisher products;
- 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 the consumer finance industry or us, particularly in certain key states;
- Our need for additional financing;
- Changes in our authorization to be a dealer for Cricket Wireless;
- Changes in authorized Cricket dealer compensation;
- Lack of advertising support and sales promotions from Cricket Wireless in the markets we operate;
- Direct and indirect effects of COVID-19 on our employees, customers, our supply chain, the economy and financial markets; and
- Unpredictability or uncertainty in financing and merger and acquisition 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.

OVERVIEW

Western Capital Resources, Inc. (“WCR”), a Delaware corporation originally incorporated in Minnesota in 2001 and reincorporated in Delaware in 2016, is a holding company having a controlling interest in subsidiaries operating in the following industries and operating segments:



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 controlled but less than 100% owned subsidiaries. Our Cellular Retail segment completed a \$4.7 million acquisition of 25 Cricket Wireless retail stores on September 9, 2021, which are wholly owned. Our Direct to Consumer segment consists of a wholly-owned branded 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 and home improvement and restoration products operating as Van Dyke’s Restorers as well as a wholesaler under the Park Wholesale brand. Our manufacturing segment consists of a wholly-owned manufacturer of lawn and garden power equipment and emergency safety shelters selling products primarily under the Swisher brand name and provides turn-key manufacturing services to third parties. 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.”

We expect segment operating results and earnings per share to change throughout 2021 and beyond due, at least in part, to the seasonality of the various segments, recently completed and potential merger and acquisition activity, the unknown impact of COVID-19, the effects of inflationary pressures, as well as supply and labor shortages. We expect supply and labor shortages to be further aggravated, possibly significantly, due to the COVID-19 Vaccination and Testing: Emergency Temporary Standard (ETS) issued by the Occupational Safety and Health Administration (OSHA) which was published on November 4, 2021. The rule was effective November 5, 2021 and contains various compliance dates for specific provisions.

Discussion of Critical Accounting Policies

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis. The preparation of these condensed 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 condensed 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 2, “Summary of Significant Accounting Policies,” of the notes to our condensed consolidated financial statements included in this report together with our significant accounting policies discussed in Note 1, “Basis of Presentation, Nature of Business and Summary of Significant Accounting Policies,” of the notes to our December 31, 2020 consolidated financial statements included in our Form 10-K for the year ended December 31, 2020. We believe that the following critical accounting policies affect the more significant estimates and assumptions used in the preparation of our condensed consolidated financial statements.

Receivables and Credit Loss Allowance

Consumer Finance –

Included in loans receivable are unpaid principal, interest and fee balances of payday and pawn 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. Management estimates the reserve for credit losses which is highly subjective due to many economic variables.

Our loans receivable balances as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$2.26 million, \$2.26 million and \$2.91 million, respectively, while the allowance for credit losses for the corresponding dates was \$0.28 million, \$0.32, and \$0.31 million, respectively. In the first nine months of 2021 we experienced negative credit losses on loans receivable, where recoveries exceeded new reserves in large part due to a reduction in new loans as a result of the closing of all our locations in Nebraska due to a change in law and divesting of locations in Iowa in the fourth quarter of 2020. Management does not expect this event to continue as contributing positive influences dissipate.

Valuation of Long-lived and Intangible Assets

We assess the possibility of impairment of long-lived assets, other than goodwill, 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. Management has not identified events or trends indicating that the carrying value may not be recoverable.

However, the Company has many operating lease agreements across our operating segments which are accounted for as operating leases and included in noncurrent assets as operating lease right-of-use (“ROU”) assets. Due to the significant assumptions and judgements required in accounting for leases and impairment of ROU assets, the judgment and estimates made could have a significant effect on the amount of assets and results of operations.

Results of Operations – Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

Net income attributable to our common shareholders for the current quarter was \$0.99 million, or \$0.11 per share (basic and diluted) for the quarter ended September 30, 2021, compared to \$1.16 million, or \$0.12 per share (basic and diluted) for the quarter ended September 30, 2020.

Following is a discussion of operating results by segment.

The following table provides revenues and net income attributable to WCR common shareholders for the quarters ended September 30, 2021 and September 30, 2020 (in thousands).

	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Three Months Ended September 30, 2021						
Revenue	\$ 25,282	\$ 5,951	\$ 3,638	\$ 1,535	\$ —	\$ 36,406
% of total revenue	69.5%	16.3%	10.0%	4.2%	—%	100%
Net income (loss)	\$ 2,331	\$ (477)	\$ 69	\$ 205	\$ (385)	\$ 1,743
Net income attributable to noncontrolling interests	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ 750
Net income (loss) attributable to WCR common shareholders	\$ 1,581	\$ (477)	\$ 69	\$ 205	\$ (385)	\$ 993
Three Months Ended September 30, 2020						
Revenue	\$ 22,589	\$ 5,901	\$ 4,433	\$ 1,798	\$ —	\$ 34,721
% of total revenue	65.0%	17.0%	12.8%	5.2%	—%	100%
Net income (loss)	\$ 1,717	\$ (60)	\$ 161	\$ 112	\$ (192)	\$ 1,738
Net income attributable to noncontrolling interests	\$ 576	\$ —	\$ —	\$ —	\$ —	\$ 576
Net income (loss) attributable to WCR common shareholders	\$ 1,141	\$ (60)	\$ 161	\$ 112	\$ (192)	\$ 1,162

Cellular Retail

A summary table of the number of Cricket Wireless retail stores we operated during the three months ended September 30, 2021 and September 30, 2020 follows:

	2021	2020
Beginning	205	205
Acquired/ Launched	29	1
Closed/Divested	(3)	—
Ending	231	206

As previously noted in this report, on September 9, 2021 we completed a \$4.7 million acquisition of 25 Cricket Wireless retail stores. All but four of these stores are located in markets that we currently operate in, allowing existing management to efficiently integrate the acquired locations into their portfolios. Three of the outlier stores were added to an expanded existing market, while one, in Juneau, Alaska is our first presence in Alaska.

Period over period, net income attributable to shareholders increased from \$1.14 million in the comparable prior year quarter to \$1.58 million in the current quarter. Many factors have contributed to this period over period increase. Most notably is the 11.9% increase in sales period over period, with only 1.9% attributable to the recently acquired stores. Inflationary pressures have negatively impacted many expenses, most notably payroll and related payroll expenses which have increased 12.7% year over year.

Direct to Consumer

The Direct to Consumer segment has seasonal sources of revenue and historically experiences a greater proportion of annual revenue and net income in the months of March through May and December due to the seasonal products it sells. For the current quarter, the Direct to Consumer segment had a net loss of (\$0.48) million compared to net loss of (\$0.06) million for the comparable prior year period. While revenues for the quarter ended September 30, 2021 were \$5.95 million compared to \$5.90 million for the comparable period in 2020, advertising expense, the most significant factor contributing to the period over period increase in segment net loss, was \$0.38 million higher in the current period.

Manufacturing

Manufacturing segment sales decreased from \$4.43 million in the comparable prior period to \$3.64 million in the current period. Management attributes this decline to lost sales in the current period due to supply shortages as well as increased pricing of its products due to inflationary pressure on raw material costs. For the quarter ended September 30, 2021, the Manufacturing segment had net income of \$0.07 million compared to net income of \$0.16 million for the comparable prior year period.

Consumer Finance

A summary table of the number of consumer finance locations we operated during the quarters ended September 30, 2021 and September 30, 2020 follows:

	2021	2020
Beginning	22	39
Acquired/Launched	—	—
Closed/Divested	—	(1)
Ending	22	38

Our Consumer Finance segment continues to decline as a result of state regulatory changes and negative trends within the industry. Consumer Finance segment revenues decreased \$0.26 million, or 14.6%, for the quarter ended September 30, 2021 compared to the quarter ended September 30, 2020 primarily due to the closing of all our locations in Nebraska and divesting of locations in Iowa in the fourth quarter of 2020. Segment net income did increase slightly period over period primarily due to recoveries of bad debt from closed locations.

Results of Operations – Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Net income attributable to our common shareholders was \$9.30 million, or \$1.01 per share (basic and diluted), for the nine month period ended September 30, 2021, compared to net income of \$7.93 million, or \$0.83 per share (basic and diluted), for the nine month period ended September 30, 2020.

Following is a discussion of operating results by segment.

The following table provides revenues and net income attributable to WCR common shareholders for the nine month period ended September 30, 2021 and September 30, 2020 (in thousands).

	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Corporate	Total
Nine Months Ended September 30, 2021						
Revenue	\$ 76,087	\$ 33,731	\$ 10,363	\$ 4,320	\$ —	\$ 124,501
% of total revenue	61.1%	27.1%	8.3%	3.5%	—%	100%
Net income (loss)	\$ 7,172	\$ 4,301	\$ 463	\$ 494	\$ (898)	\$ 11,532
Net income attributable to noncontrolling interests	\$ 2,235	\$ —	\$ —	\$ —	\$ —	\$ 2,235
Net income (loss) attributable to WCR common shareholders	\$ 4,937	\$ 4,301	\$ 463	\$ 494	\$ (898)	\$ 9,297
Nine Months Ended September 30, 2020						
Revenue	\$ 63,609	\$ 33,841	\$ 12,696	\$ 6,008	\$ —	\$ 116,154
% of total revenue	54.8%	29.1%	10.9%	5.2%	—%	100%
Net income (loss)	\$ 4,435	\$ 4,672	\$ 408	\$ 478	\$ (574)	\$ 9,419
Net income attributable to noncontrolling interests	\$ 1,492	\$ —	\$ —	\$ —	\$ —	\$ 1,492
Net income (loss) attributable to WCR common shareholders	\$ 2,943	\$ 4,672	\$ 408	\$ 478	\$ (574)	\$ 7,927

Cellular Retail

A summary table of the number of Cricket Wireless retail stores we operated during the nine months ended September 30, 2021 and September 30, 2020 follows:

	2021	2020
Beginning	205	222
Acquired/Launched	31	20
Closed/Divested	(5)	(36)
Ending	231	206

Period over period, net income attributable to shareholders increased from \$2.94 million in the nine month period ended September 30, 2020 to \$4.94 million for the nine month period ended September 30, 2021, while sales increased over the comparable period from \$63.61 million to \$76.09 million. The prior year period was hampered by COVID-19 while the latter benefited from, among other factors, government stimulus programs which tend to benefit our industry. Also contributing to the growth in sales and net income is Crickets Wireless' 2020 distribution optimization program which has resulted in fewer and, on average, better performing stores combined with our strategic location disposals and additions over the last several years resulting in a better mix of stores. The nine month period ended September 30, 2020 also included a loss of \$0.67 million related to store closures.

Direct to Consumer

The Direct to Consumer segment has seasonal sources of revenue and historically experiences a greater proportion of annual revenue and net income in the months of March through May and December due to the seasonal products it sells. For the nine month period ended September 30, 2021, the Direct to Consumer segment had net income of \$4.30 million compared to net income of \$4.67 million for the comparable nine month period prior year. Revenues for the nine month period ended September 30, 2021 were \$33.73 million compared to \$33.84 million for the comparable period in 2020. Similar to other online retailers, the Direct to Consumer segment has experienced an increase in demand and on-line sales activity due to COVID-19.

Manufacturing

Manufacturing segment sales decreased from \$12.70 million in the comparable prior period to \$10.36 million in the current period. Management attributes this decline to lost sales primarily in the second and third quarters of the current period due to supply shortages as well as increased pricing of its products due to inflationary pressure on raw material costs. For the nine month period ended September 30, 2021, the Manufacturing segment had net income of \$0.46 million compared to net income of \$0.41 million for the comparable prior year period.

Consumer Finance

A summary table of the number of consumer finance locations we operated during the nine month periods ended September 30, 2021 and September 30, 2020 follows:

	2021	2020
Beginning	22	39
Acquired/ Launched	—	—
Closed	—	(1)
Ending	22	38

Our Consumer Finance segment revenues decreased \$1.69 million, or 28.1% period over period. As noted previously, our Consumer Finance segment continues to decline as a result of state regulatory changes and negative trends within the industry, mostly notably the closing of all our locations in Nebraska due to a 2020 law change. This segment and the industry continue to experience declines in loan activity due to industry regulations and trends as well as COVID-19. In the later part of March 2020, the segment began to experience a larger than normal decline in lending activity due to COVID-19, which has carried over into 2021 and is just recently beginning to return back to pre-COVID-19 levels.

Corporate

Net costs related to our Corporate segment were \$0.90 million for the nine month period ended September 30, 2021 compared to \$0.57 million for the nine month period ended September 30, 2020. The period over period increase in net costs is primarily due to a decrease in income from investments and expensing of failed mergers, acquisitions and financing costs of \$0.19 million in the current period.

Consolidated Income Tax Expense

Provision for income tax expense for the nine months ended September 30, 2021 was \$3.14 million compared to \$2.61 million for the nine months ended September 30, 2020 for an effective rate of 21.4% and 21.7%, respectively. The effective tax rate is lower than the federal plus state statutory rates due to: (1) noncontrolling interests' share of net income is not subject to income tax at the consolidated group level; (2) year-over-year changes in the number and mix of states in which our subsidiaries are subject to state income taxes due to various nexus factors such as changes in multi-state activities by members of the consolidated group and its impact on the application of respective state income tax rules and regulations; and (3) changes in state income tax related statutes and regulations. Excluding the noncontrolling interests' share of net income, the effective tax rate for the comparable periods was 25.2% and 24.8%, respectively. This increase period over period is due to increased state income tax exposure resulting from a change in the number and mix of states in which subsidiaries are subject to state income taxes due to various factors such as changes in multistate activities by members of the consolidated group and its impact on state taxation rules and regulations applicable to us.

Liquidity and Capital Resources

Summary cash flow data is as follows:

	Nine Months Ended September 30,	
	2021	2020
Cash flows provided by (used in):		
Operating activities	\$ 8,800,317	\$ 11,955,824
Investing activities	(25,048,368)	(2,556,974)
Financing activities	(3,241,158)	(6,293,533)
Net decrease in cash and cash equivalents	(19,489,209)	3,105,317
Cash and cash equivalents, beginning of period	32,504,803	27,160,991
Cash and cash equivalents, end of period	\$ 13,015,594	\$ 30,266,308

As of September 30, 2021, we had cash and cash equivalents of \$13.02 million compared to cash and cash equivalents of \$30.27 million on September 30, 2020. In addition, on September 30, 2021, we also had \$36.83 million invested in certificates of deposit (limited to \$250,000 per financial institution per entity) and U.S. Treasuries compared to \$18.08 million on September 30, 2020, the year over year increase more than offsetting the decrease in cash and cash equivalents over the same period. We believe that our available cash, combined with expected cash flows from operations and our investments, will be sufficient to fund our liquidity and capital expenditure requirements through September 2022. Our expected short-term uses of available cash include the payment of dividends to our shareholders, distributions to noncontrolling interests, scheduled debt repayments, funding capital expenditures, and investing in existing segments when the right opportunity presents itself.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

As of September 30, 2021, our Chief Executive Officer and Chief Financial Officer carried out an assessment 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 this assessment, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures are effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the fiscal period covered by this report that materially affected, or were reasonably likely to materially affect, such controls.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Supply Chain - Fluctuations in the availability and price of inputs could have an adverse effect on our ability to manufacture and sell our products profitably and could adversely affect our margins and revenue.

Our manufacturing operations depend upon the adequate supply of steel, engines and other components and raw materials. Our direct-to-consumer operations depend upon an adequate supply of, among other things, seeds and live plants. Our inability to procure any of these production materials, components or finished goods, delays in receiving them or not being able to procure them at competitive prices, particularly during applicable peak seasons, could adversely impact our ability to produce our products and to sell our products on a cost effective basis which, in turn, could adversely affect our revenue and profitability.

Our results of operations may be negatively impacted by product liability lawsuits.

We are subject to potential product liability risks that relate to the design, manufacture, sale and use of our products. To date, we have not incurred material costs related to these product liability claims. While we believe our current general liability and product liability insurance is adequate to protect us from future product liability claims, there can be no assurance that our coverage will be adequate to cover all claims that may arise. Additionally, we may not be able to maintain insurance coverage in the future at an acceptable cost. Significant losses not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, it may be necessary for us to recall products that do not meet approved specifications, which could result in adverse publicity as well as costs connected to the recall and loss of revenue.

We could be subject to disparate state regulations governing the collection of state taxes and other matters.

Our manufacturing and direct-to-consumer businesses are subject to a variety of laws and regulations applicable to companies conducting business on the Internet. Jurisdictions vary as to how, or whether, existing laws governing areas such as personal privacy and data security, consumer protection or sales and other taxes, among other areas, apply to the Internet and e-commerce, and these laws are continually evolving. For example, certain applicable privacy laws and regulations require us to provide customers with our policies on sharing information with third parties, and advance notice of any changes to these policies. Related laws may govern the manner in which we store or transfer sensitive information or impose obligations on us in the event of a security breach or inadvertent disclosure of such information. Additionally, tax regulations in jurisdictions where we do not currently collect state or local taxes may subject us to the obligation to collect and remit such taxes, or to additional taxes, or to requirements intended to assist jurisdictions with their tax collection efforts. New legislation or regulation, the application of laws from jurisdictions whose laws do not currently apply to our businesses, or the application of existing laws and regulations to the Internet and e-commerce generally could result in significant additional taxes on our businesses. Further, we could be subject to fines or other payments for any past failures to comply with these requirements. The continued growth and demand for e-commerce is likely to result in more laws and regulations that impose additional compliance burdens on e-commerce companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table provides information about purchases of Western Capital Resources, Inc. common stock by us during the three months ended September 30, 2021.

Share Repurchases

Period Beginning	Period Ending	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Board Approved Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program ⁽¹⁾
July 1, 2021	July 31, 2021	—	\$ —	—	\$ 1,171,800
August 1, 2021	August 31, 2021	35,353	\$ 7.00	35,353	\$ 924,300
September 1, 2021	September 30, 2021	106,494	\$ 7.00	106,494	\$ 178,800
		<u>141,847</u>		<u>141,847</u>	

- (1) On September 13, 2018, our Board of Directors authorized a share repurchase program under which we may repurchase up to \$1 million of common stock. Repurchases may be made from time to time on the open market or through privately negotiated transactions

In February and September 2020, our Board of Directors amended the repurchase program, increasing the amount of share repurchases authorized from \$1 million to \$2 million and \$2 million to \$4 million, respectively.

Item 6. Exhibits

Exhibit	Description
<u>31.1</u>	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
<u>31.2</u>	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
<u>32</u>	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
101.INS	XBRL Instance Document <i>(filed herewith)</i> .
101.SCH	XBRL Schema Document <i>(filed herewith)</i> .
101.CAL	XBRL Calculation Linkbase Document <i>(filed herewith)</i> .
101.DEF	XBRL Definition Linkbase Document <i>(filed herewith)</i> .
101.LAB	XBRL Label Linkbase Document <i>(filed herewith)</i> .
101.PRE	XBRL Presentation Linkbase Document <i>(filed herewith)</i> .

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 12, 2021

Western Capital Resources, Inc.
(Registrant)

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

By: /s/ Angel Donchev
Angel Donchev
Chief Financial Officer

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

Certification

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

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

Dated: November 12, 2021

/s/ John Quandahl

JOHN QUANDAHL
Chief Executive Officer

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

Certification

I, Angel Donchev, Chief Financial Officer of Western Capital Resources, Inc., certify that:

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

Dated: November 12, 2021

/s/ Angel Donchev

ANGEL DONCHEV
Chief Financial Officer

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

In connection with the Quarterly Report of Western Capital Resources, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 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, Angel Donchev, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ John Quandahl

John Quandahl
Chief Executive Officer
November 12, 2021

/s/ Angel Donchev

Angel Donchev
Chief Financial Officer
November 12, 2021