**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 June 30, 2017

☐ **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 | 47-0848102 |
| (State or Other Jurisdiction of Incorporation or Organization) | (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)

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

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

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☑ |
| | Emerging growth 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 ☑

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 14, 2017, the registrant had outstanding 9,390,997 shares of common stock, $0.001 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

CONTENTS

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 10,060,406 | $ 14,159,975 |
| Loans receivable (less allowance for losses of $729,000 and $1,036,000, respectively) | 3,939,432 | 4,438,276 |
| Accounts receivable (less allowance for losses of $124,000 and $96,000, respectively) | 1,800,686 | 1,716,867 |
| Inventory | 9,652,531 | 9,095,460 |
| Prepaid expenses and other | 3,630,208 | 3,727,284 |
| TOTAL CURRENT ASSETS | 29,083,263 | 33,137,862 |
| NOTES RECEIVABLE | 3,433,856 | 2,920,112 |
| PROPERTY AND EQUIPMENT, net | 10,353,039 | 9,696,620 |
| GOODWILL | 5,796,528 | 5,796,528 |
| INTANGIBLE ASSETS, net | 7,257,050 | 7,536,945 |
| OTHER | 1,310,465 | 1,122,585 |
| TOTAL ASSETS | $ 57,234,201 | $ 60,210,652 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 9,054,923 | $ 13,002,381 |
| Other current liabilities | 2,195,895 | 2,242,372 |
| Income taxes payable | — | 265,813 |
| Note payable – short-term | 21,064 | 55,819 |
| Current portion long-term debt | 1,780,000 | 1,780,000 |
| Current portion capital lease obligations | 45,806 | 54,020 |
| Deferred revenue | 1,502,252 | 1,427,358 |
| TOTAL CURRENT LIABILITIES | 14,599,940 | 18,827,763 |
| LONG-TERM LIABILITIES | | |
| Notes payable, net of current portion | 6,732,855 | 8,681,545 |
| Capital lease obligations, net of current portion | 71,386 | 94,762 |
| Deferred income taxes | 1,673,000 | 1,775,000 |
| Other | 177,842 | 143,080 |
| TOTAL LONG-TERM LIABILITIES | 8,655,083 | 10,694,387 |
| TOTAL LIABILITIES | 23,255,023 | 29,522,150 |
| COMMITMENTS AND CONTINGENCIES (Note 11) | | |
| EQUITY | | |
| WESTERN SHAREHOLDERS' EQUITY | | |
| Common stock, $0.001 par value, 12,500,000 shares authorized, 9,390,997 and 9,497,871 shares issued and outstanding. | 939 | 950 |
| Additional paid-in capital | 29,015,990 | 28,997,087 |
| Retained earnings | 4,934,644 | 1,643,996 |
| TOTAL WESTERN SHAREHOLDERS' EQUITY | 33,951,573 | 30,642,033 |
| NONCONTROLLING INTERESTS | 27,605 | 46,469 |
| TOTAL EQUITY | 33,979,178 | 30,688,502 |
| TOTAL LIABILITIES AND EQUITY | $ 57,234,201 | $ 60,210,652 |

*See notes to condensed consolidated financial statements*

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| REVENUES | | | | |
| Sales and associated fees | $ 24,739,956 | $ 19,064,101 | $ 49,299,086 | $ 39,079,643 |
| Financing fees and interest | 2,119,747 | 2,340,968 | 4,353,156 | 4,825,188 |
| Royalty and franchise fees, net | 3,021,402 | 2,595,614 | 6,054,028 | 5,390,370 |
| Other revenue | 5,909,306 | 3,171,743 | 11,719,147 | 6,312,511 |
| Total Revenues | 35,790,411 | 27,172,426 | 71,425,417 | 55,607,712 |
| COST OF REVENUES | | | | |
| Cost of sales | 12,753,066 | 9,377,949 | 24,811,820 | 19,815,834 |
| Provisions for loans receivable losses | 250,734 | 428,613 | 488,315 | 731,485 |
| Other | 729,476 | 603,667 | 1,377,673 | 1,157,081 |
| Total Cost of Revenues | 13,733,276 | 10,410,229 | 26,677,808 | 21,704,400 |
| GROSS PROFIT | 22,057,135 | 16,762,197 | 44,747,609 | 33,903,312 |
| OPERATING EXPENSES | | | | |
| Salaries, wages and benefits | 10,252,169 | 6,677,803 | 20,243,560 | 13,426,753 |
| Occupancy | 3,172,317 | 1,897,270 | 6,126,373 | 3,871,075 |
| Advertising, marketing and development | 2,294,251 | 2,266,522 | 4,303,401 | 4,217,531 |
| Depreciation | 374,225 | 295,157 | 724,513 | 571,749 |
| Amortization | 139,374 | 140,873 | 279,893 | 281,863 |
| Other | 3,073,413 | 2,511,751 | 6,614,080 | 5,250,977 |
| Total Operating Expenses | 19,305,749 | 13,789,376 | 38,291,820 | 27,619,948 |
| OPERATING INCOME | 2,751,386 | 2,972,821 | 6,455,789 | 6,283,364 |
| OTHER INCOME (EXPENSES): | | | | |
| Interest income | 67,564 | 957 | 131,639 | 2,009 |
| Interest expense | (110,415) | (150,714) | (248,567) | (319,725) |
| Total Other Income (Expense) | (42,851) | (149,757) | (116,928) | (317,716) |
| INCOME BEFORE INCOME TAXES | 2,708,535 | 2,823,064 | 6,338,861 | 5,965,648 |
| INCOME TAX EXPENSE | 957,000 | 1,034,000 | 2,320,000 | 2,201,000 |
| NET INCOME | 1,751,535 | 1,789,064 | 4,018,861 | 3,764,648 |
| Less net income attributable to noncontrolling interests | (7,436) | (4,553) | (12,521) | (8,738) |
| NET INCOME ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS | $ 1,744,099 | $ 1,784,511 | $ 4,006,340 | $ 3,755,910 |
| EARNINGS PER SHARE ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS | | | | |
| Basic and diluted | $ 0.19 | $ 0.19 | $ 0.42 | $ 0.40 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic and diluted | 9,390,997 | 9,497,534 | 9,431,739 | 9,497,534 |

*See notes to condensed consolidated financial statements.*

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

| | Six Months Ended | |
|---|---|---|
| | June 30, 2017 | June 30, 2016 |
| OPERATING ACTIVITIES | | |
| Net Income | $ 4,018,861 | $ 3,764,648 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 724,513 | 571,749 |
| Amortization | 279,893 | 281,863 |
| Share based compensation | 18,903 | 35,167 |
| Deferred income taxes | (102,000) | 313,000 |
| Loss on disposal of property and equipment | 24,530 | 9,953 |
| Changes in operating assets and liabilities: | | |
| Loans receivable | 498,844 | 459,191 |
| Accounts receivable | (83,819) | 445,254 |
| Inventory | (557,071) | 380,291 |
| Prepaid expenses and other assets | (90,804) | 973,187 |
| Accounts payable and accrued expenses | (4,213,269) | (3,118,195) |
| Deferred revenue and other current liabilities | 28,417 | (390,943) |
| Accrued liabilities and other – long-term | 34,762 | 22,069 |
| Net cash provided by operating activities | 581,760 | 3,747,234 |
| | | |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (1,419,921) | (929,291) |
| Acquisition of stores, net of cash acquired | — | (588,241) |
| Advances on note receivable, net | (513,744) | — |
| Proceeds from disposal of property and equipment | 14,459 | — |
| Net cash used by investing activities | (1,919,206) | (1,517,532) |
| | | |
| FINANCING ACTIVITIES | | |
| Payments on notes payable – short-term | (34,755) | — |
| Payments on line of credit, net | (998,426) | — |
| Advances on notes payable – long-term | — | 418,301 |
| Payments on notes payable – long-term | (950,264) | (1,801,638) |
| Common stock redemption | (480,928) | — |
| Advances on capital lease | — | 185,318 |
| Payments on capital lease | (31,590) | (54,542) |
| Subsidiary dividends to noncontrolling interests | (31,385) | — |
| Dividend paid | (234,775) | (237,467) |
| Net cash used in financing activities | (2,762,123) | (1,490,028) |
| | | |
| NET INCREASE (DECREASE) IN CASH | (4,099,569) | 739,674 |
| | | |
| CASH | | |
| Beginning of period | 14,159,975 | 7,847,669 |
| End of period | $ 10,060,406 | $ 8,587,343 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| | | |
| Income taxes paid | $ 3,401,436 | $ 1,490,444 |
| Interest paid | $ 239,290 | $ 451,271 |
| | | |
| Non-cash Investing and Financing Activities: | | |
| 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 condensed consolidated financial statements.*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

***Basis of Presentation***

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

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

For further information, refer to the Condensed Consolidated Financial Statements and footnotes thereto included in our Form 10-K for the year ended December 31, 2016. The condensed consolidated balance sheet at December 31, 2016, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP.

***Nature of Business***

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 253 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 (215 owned and operated plus 53 operated under management agreement as of June 30, 2017), as an exclusive dealer of the Cricket brand.

- Direct to Consumer
  - J & P Park Acquisitions, Inc. (JPPA) (100%) – 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%) – 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%) – 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 June 30, 2017) 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 June 30, 2017) in Nebraska and Iowa providing collateralized non-recourse pawn loans and retail sales of primarily used merchandise.

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.

***Reclassifications***

Certain Statements of Income reclassifications have been made in the presentation of our prior financial statements and accompanying notes to conform to the presentation as of and for the three and six month periods ended June 30, 2017.

***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, 2017. The Company is currently assessing the potential effects on our financial condition, results of operations and consolidated financial statements.

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. This 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. This 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 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 involved in the enforcement of existing consumer-protection laws applicable to the payday industry.

Any adverse change in present local, state, and federal laws or regulations that govern or otherwise affect lending could result in the 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, store location closure 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 business we conduct in 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 business we conduct in the Consumer Finance segment.

3. Loans Receivable –

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

| June 30, 2017 | Payday | Installment | Pawn & Title | Total |
|---|---|---|---|---|
| Current | $ 3,266,323 | $ 224,554 | $ 302,681 | $ 3,793,558 |
| 1-30 | 250,525 | 35,028 | — | 285,553 |
| 31-60 | 152,745 | 16,978 | — | 169,723 |
| 61-90 | 104,203 | 10,381 | — | 114,584 |
| 91-120 | 94,127 | 7,164 | — | 101,291 |
| 121-150 | 77,661 | 4,855 | — | 82,516 |
| 151-180 | 117,909 | 3,298 | — | 121,207 |
| | 4,063,493 | 302,258 | 302,681 | 4,668,432 |
| Less Allowance | (652,000) | (77,000) | — | (729,000) |
| | $ 3,411,493 | $ 225,258 | $ 302,681 | $ 3,939,432 |

| 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 |

4. Loans Receivable Allowance –

A rollforward of the Consumer Finance segment's loans receivable allowance is as follows:

| | Six Months Ended June 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Loans receivable allowance, beginning of period | $ 1,036,000 | $ 1,177,000 |
| Provision for loan losses charged to expense | 488,315 | 1,605,867 |
| Charge-offs, net | (795,315) | (1,746,867) |
| Loans receivable allowance, end of period | $ 729,000 | $ 1,036,000 |

5. Accounts Receivable –

A breakdown of accounts receivables by segment are as follows:

| June 30, 2017 | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Total |
|---|---|---|---|---|---|
| Accounts receivable | $ 1,427,065 | $ 267,494 | $ 224,139 | $ 5,988 | $ 1,924,686 |
| Less allowance | (100,000) | — | (24,000) | — | (124,000) |
| Net account receivable | $ 1,327,065 | $ 267,494 | $ 200,139 | $ 5,988 | $ 1,800,686 |

| 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 account receivable | $ 1,020,210 | $ 333,800 | $ 350,426 | $ 12,431 | $ 1,716,867 |

6. Notes Payable – Long Term –

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| 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% (4.625% at June 30, 2017), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing April 21, 2018 | $ — | $ 998,426 |
| Note payable to a financial institution with monthly principal payment of $58,333 plus interest at LIBOR plus 3.5% (4.625% at June 30, 2017), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing April 21, 2021 | 2,741,667 | 3,091,667 |
| Note payable to a financial institution with monthly principal payment of $56,667 plus interest at LIBOR plus 3.5% (4.625% at June 30, 2017), secured by substantially all assets of the Company with stated guarantee amounts by subsidiaries, maturing December 1, 2021 | 2,999,740 | 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% (4.625% at June 30, 2017), secured by JPRE assets, maturing June 5, 2019 when remaining principal balance is due | 2,771,448 | 2,971,452 |
| Total | 8,512,855 | 10,461,545 |
| Less current maturities | (1,780,000) | (1,780,000) |
| | $ 6,732,855 | $ 8,681,545 |

At June 30, 2017 and December 31, 2016, approximately $6,259,000 and $4,510,000 of credit was available under the credit facilities, respectively.

7. Equity –

In March 2017, the Company redeemed 106,874 shares of common stock for $480,928 in a private and unsolicited transaction.

8. Cash Dividends –

| | |
|---|---|
| Date declared | February 24, 2017 |
| Record date | March 17, 2017 |
| Date paid | March 24, 2017 |
| Dividend per share of common stock | $ 0.025 |
| Date declared | May 12, 2017 |
| Record date | July 14, 2017 |
| Date paid | July 24, 2017 |
| Dividend per share of common stock | $ 0.025 |

9. Other Operating Expense –

A breakout of other expense is as follows:

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| Bank fees | $ 594,390 | $ 497,084 | $ 1,144,739 | $ 935,118 |
| Collection costs | 91,528 | 109,963 | 181,422 | 226,151 |
| Conference expense | 26 | 29,151 | 289,232 | 294,556 |
| Insurance | 265,791 | 173,326 | 515,799 | 344,889 |
| Management and advisory fees | 201,662 | 203,504 | 425,143 | 424,529 |
| Professional and consulting fees | 596,460 | 447,735 | 1,407,590 | 1,042,945 |
| Supplies | 420,672 | 176,650 | 752,744 | 359,924 |
| Other | 902,884 | 874,338 | 1,897,411 | 1,622,865 |
| | $ 3,073,413 | $ 2,511,751 | $ 6,614,080 | $ 5,250,977 |

10. Segment Information –

Segment information related to the three and six month periods ended June 30, 2017 and 2016 is presented below:

**Three Months Ended June 30, 2017**
**(in thousands)**

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $ 4,033 | $ 17,087 | $ 12,127 | $ 2,543 | $ — | $ 35,790 |
| Net income (loss) | $ 930 | $ (331) | $ 1,103 | $ 201 | $ (151) | $ 1,752 |
| Expenditures for segmented assets | $ 13 | $ 531 | $ 122 | $ — | $ — | $ 666 |

**Three Months Ended June 30, 2016**
**(in thousands)**

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $ 3,562 | $ 8,083 | $ 12,689 | $ 2,838 | $ — | $ 27,172 |
| Net income (loss) | $ 568 | $ 74 | $ 1,103 | $ 262 | $ (218) | $ 1,789 |
| Expenditures for segment assets | $ 7 | $ 580 | $ 24 | $ 7 | $ — | $ 618 |

**Six Months Ended June 30, 2017**
**(in thousands)**

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $ 7,977 | $ 34,131 | $ 24,031 | $ 5,286 | $ — | $ 71,425 |
| Net income (loss) | $ 1,565 | $ 289 | $ 1,968 | $ 455 | $ (258) | $ 4,019 |
| Total segmented assets | $ 8,729 | $ 23,338 | $ 12,520 | $ 8,684 | $ 3,963 | $ 57,234 |
| Expenditures for segment assets | $ 13 | $ 1,204 | $ 203 | $ — | $ — | $ 1,420 |

**Six Months Ended June 30, 2016 (in thousands)**

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $ 7,174 | $ 17,858 | $ 24,754 | $ 5,822 | $ — | $ 55,608 |
| Net income (loss) | $ 1,083 | $ 454 | $ 2,007 | $ 574 | $ (353) | $ 3,765 |
| Total segment assets | $ 9,681 | $ 14,779 | $ 14,393 | $ 15,531 | $ 374 | $ 54,758 |
| Expenditures for segment assets | $ 15 | $ 1,447 | $ 38 | $ 18 | $ — | $ 1,518 |

11. Commitments and Contingencies –

Pursuant to the Company’s numerous employment agreements, bonuses of approximately $112,000 and $443,000 were accrued for the three and six month periods ended June 30, 2017, respectively.

12. Subsequent Events –

We evaluated all events or transactions that occurred after June 30, 2017 up through the date we issued these financial statements. During this period we did not have any material subsequent events that impacted our financial statements other than those listed below.

***Asset Purchase Agreement***

In 2016, PQH entered into an agreement to acquire 20 Cricket Wireless retail locations, with an option to purchase an additional 33 locations. The aggregate purchase price for all 53 locations was $7,200,000, subject to reduction in the event that the seller exercised an option to retain a 30% ownership in the acquired business. From November 22, 2016 through June 30, 2017, PQH operated the store locations under a management agreement. Effective July 1, 2017, we consummated the acquisition transaction by acquiring all 53 locations through a subsidiary of PQH, and the seller exercised its option to retain a 30% ownership interest in the acquired business. As a result, PQH owns 70% of the newly formed subsidiary and the seller owns the remaining 30% of that subsidiary.

***Credit Facility***

In July 2017, the Company made a $1 million payment to pay down the outstanding balance of the term debt which matures April 21, 2021 (see Note 6 for further information).

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

Forward-Looking Statements

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

Specific factors that might cause actual results to differ from our expectations embodied in our forward-looking statements, or that might affect the value of the common stock, include but are not limited to:

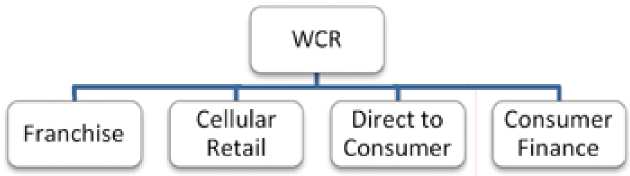
- a significant portion of pre-tax net income contributed by the Direct to Consumer segment is seasonal in nature and is earned during the months of March through May and December, and consequently the third quarter of each year typically results in a net loss;
- the success of new stores related to our expansion plans in the Cellular Retail segment;
- changes in local, state or federal laws and regulations governing lending practices, or changes in the interpretation of such laws and regulations, affecting our Consumer Finance segment;
- litigation and regulatory actions directed toward us or the industries in which we operate, particularly in certain key states or nationally;
- our need for additional financing;
- unpredictability or uncertainty in financing markets, which could impair our ability to grow our business through acquisitions;
- changes in Cricket dealer compensation;
- failure of or disruption caused by a significant vendor;
- outside factors that affect our ability to obtain product and fulfill orders; and
- our ability to successfully operate or integrate recent or future business 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 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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

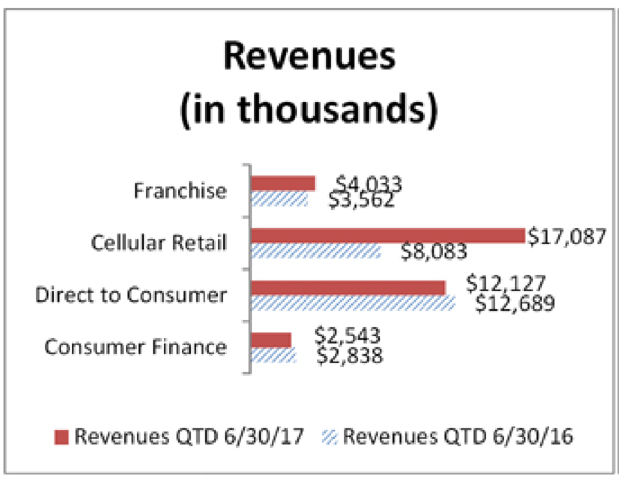
## OVERVIEW

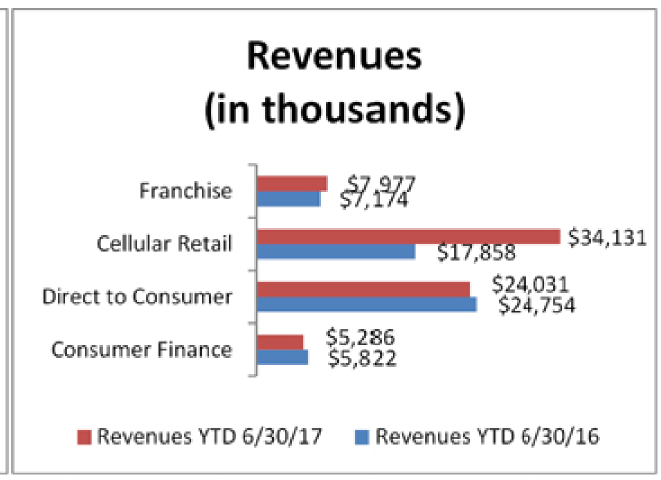
Western Capital Resources, Inc. ("WCR" or "Western Capital") is a holding company with a controlling interest in subsidiaries operating in the following industries and operating segments:




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 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, 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."

Following is key financial data for the three and six month periods ended June 30, 2017 and 2016:




Discussion of Critical Accounting Policies

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

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

Loan Loss Allowance

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

We do not specifically reserve for any individual payday, installment or title loan. We aggregate loan types for purposes of estimating the loss allowance using a methodology that analyzes historical portfolio statistics and management's judgment regarding recent trends noted in the portfolio. This methodology takes into account several factors, including (1) the amount of loan principal, interest and fee outstanding, (2) historical charge offs from loans that originated during the last 24 months, (3) current and expected collection patterns and (4) current economic trends. We utilize a software program to assist with the tracking of 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 its 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, 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. See Note 4 to our condensed consolidated financial statements included in this report for a rollforward of our loans receivable allowance.

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.

**Results of Operations – Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016**

Net income attributable to our common shareholders was $1.74 million, or $0.19 per share (basic and diluted), for the quarter ended June 30, 2017, compared to $1.78 million, or $0.19 per share (basic and diluted), for the quarter ended June 30, 2016.

We expect segment operating results and earnings per share to change throughout 2017 due, at least in part, to the seasonality of the Direct to Consumer and Cellular Retail segments, growth in the Cellular Retail segment, and potential mergers and acquisitions activity.

Following is a discussion of operating results by segment.

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

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| **Three Months Ended June 30, 2017** | | | | | | |
| Revenues | $ 4,033 | $ 17,087 | $ 12,127 | $ 2,543 | $ — | $ 35,790 |
| % of total revenue | 11.3% | 47.7% | 33.9% | 7.1% | —% | 100.0% |
| Net income (loss) | $ 930 | $ (331) | $ 1,103 | $ 201 | $ (151) | $ 1,752 |
| Net income (loss) attributable to WCR common shareholders | $ 922 | $ (331) | $ 1,103 | $ 201 | $ (151) | $ 1,744 |
| **Three Months Ended June 30, 2016** | | | | | | |
| Revenues | $ 3,562 | $ 8,083 | $ 12,689 | $ 2,838 | $ — | $ 27,172 |
| % of total revenue | 13.1% | 29.8% | 46.7% | 10.4% | —% | 100.0% |
| Net income (loss) | $ 568 | $ 74 | $ 1,103 | $ 262 | $ (218) | $ 1,789 |
| Net income (loss) attributable to WCR common shareholders | $ 564 | $ 74 | $ 1,103 | $ 262 | $ (218) | $ 1,785 |

**Franchise**

The table below summarizes the number of AlphaGraphics business centers owned and operated by franchisees during the quarter ended June 30, 2017 and 2016:

| | Beginning | New | Closed | Ending |
|---|---|---|---|---|
| 2017 | | | | |
| US Centers | 253 | 2 | (2) | 253 |
| International Centers | 25 | — | — | 25 |
| Total | 278 | 2 | (2) | 278 |
| | | | | |
| 2016 | | | | |
| US Centers | 257 | 2 | (1) | 258 |
| International Centers | 25 | — | — | 25 |
| Total | 282 | 2 | (1) | 283 |

Our U.S. franchisees reported approximate center sales for the quarters ended June 30, 2017 and 2016 as follows:

| | 2017 | 2016 |
|---|---|---|
| Total gross U.S. network-wide center sales | $ 68,421,000 | $ 70,875,000 |

Our revenues in the Franchise segment for the quarter ended June 30, 2017 and 2016 were $4.03 million versus $3.56 million, an increase of 13.2%. The fiscal period on which franchisees pay royalties was changed to a calendar year effective January 1, 2017. Because most franchisees pay royalties on a decreasing scale, revenue is higher at the beginning of the calculation period, decreasing throughout the year. In the current quarter, franchisees are in the second quarter of the calculation period compared to the fourth quarter of the calculation period in the quarter ended June 30, 2016, thus accounting for the period over period increase. Segment net income period over period increased 63.2% to $0.93 million from $0.57 million in the prior year period, an increase of 63.7%.

**Cellular Retail**

A summary table of the number of Cricket cellular retail stores we operated during the quarter ended June 30, 2017 and 2016 follows:

| | 2017 | 2016 |
|---|---|---|
| Beginning | 244 | 111 |
| Acquired/ Launched | 32 | 9 |
| Closed | (8) | (4) |
| Ending | 268 | 116 |

The Cellular Retail segment revenues increase period over period is a result of operating significantly more stores in the current quarter. Included in the growth in the number of locations are 53 mature stores we operated under a store operating agreement beginning in November 2016. In addition to operating these additional mature locations, we also operated another 80 locations, most of which were launched within the fourth quarter of 2016 and first quarter of 2017. While the launching of the new locations contributed to revenue growth, it also contributed to the decline in segment net income period over period.

**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 and comparable prior year period, the Direct to Consumer segment had net income of $1.10 million. Revenues for the three month period ended June 30, 2017 were $12.13 million compared to the comparable period in 2016 of $12.69 million.

**Consumer Finance**

A summary table of the number of consumer finance locations we operated during the quarters ended June 30, 2017 and 2016 follows:

| | 2017 | 2016 |
|---|---|---|
| Beginning | 41 | 47 |
| Acquired/ Launched | — | — |
| Closed | — | (1) |
| Ending | 41 | 46 |

Our Consumer Finance segment revenues decreased for the quarter ended June 30, 2017 compared to the quarter ended June 30, 2016 due to the closing of five locations in South Dakota at the end of 2016. Revenue decreased 10.4% period over period while net income decreased 23.3%.

**Corporate**

Costs related to our Corporate segment were $0.15 million for the quarter ended June 30, 2017 compared to $0.22 million for the quarter ended June 30, 2016.

**Results of Operations – Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016**

Net income attributable to our common shareholders was $4.01 million, or $0.42 per share (basic and diluted), for the six month period ended June 30, 2017, compared to $3.76 million, or $0.40 per share (basic and diluted), for the six month period ended June 30, 2016.

We expect segment operating results and earnings per share to change throughout 2017 due, at least in part, to the seasonality of the Direct to Consumer and Cellular Retail segments, growth in the Cellular Retail segment, and potential mergers and acquisitions activity.

Following is a discussion of operating results by segment.

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

| | Franchise | Cellular Retail | Direct to Consumer | Consumer Finance | Corporate | Total |
|---|---|---|---|---|---|---|
| **Six Months Ended June 30, 2017** | | | | | | |
| Revenues | $ 7,977 | $ 34,131 | $ 24,031 | $ 5,286 | $ — | $ 71,425 |
| % of total revenue | 11.2% | 47.8% | 33.6% | 7.4% | — | 100.0% |
| Net income (loss) | $ 1,565 | $ 289 | $ 1,968 | $ 455 | $ (258) | $ 4,019 |
| Net income (loss) attributable to WCR common shareholders | $ 1,552 | $ 289 | $ 1,968 | $ 455 | $ (258) | $ 4,006 |
| **Six Months Ended June 30, 2016** | | | | | | |
| Revenues | $ 7,174 | $ 17,858 | $ 24,754 | $ 5,822 | $ — | $ 55,608 |
| % of total revenue | 12.9% | 32.1% | 44.5% | 10.5% | —% | 100.0% |
| Net income (loss) | $ 1,083 | $ 454 | $ 2,007 | $ 574 | $ (353) | $ 3,765 |
| Net income (loss) attributable to WCR common shareholders | $ 1,074 | $ 454 | $ 2,007 | $ 574 | $ (353) | $ 3,756 |

**Franchise**

The table below summarizes the number of AlphaGraphics business centers owned and operated by franchisees during the six month periods ended June 30, 2017 and 2016:

| | Beginning | New | Closed | Ending |
|---|---|---|---|---|
| 2017 | | | | |
| US Centers | 256 | 2 | (5) | 253 |
| International Centers | 25 | — | — | 25 |
| Total | 281 | 2 | (5) | 278 |
| | | | | |
| 2016 | | | | |
| US Centers | 254 | 6 | (2) | 258 |
| International Centers | 25 | — | — | 25 |
| Total | 279 | 6 | (2) | 283 |

Our U.S. franchisees reported approximate center sales for the six month periods ended June 30, 2017 and 2016 as follows:

| | 2017 | 2016 |
|---|---|---|
| Total gross U.S. network-wide center sales | $ 137,505,000 | $ 138,661,000 |

Our revenues in the Franchise segment for the six month periods ended June 30, 2017 and 2016 were $7.98 million versus $7.17 million, an increase of 11.3%. As discussed in the quarter over quarter analysis, the change in the royalty calculation fiscal year is the primary driver for the period over period increase. Segment net income period over period increased 45.4% to $1.57 million from $1.08 million in the prior year period.

**Cellular Retail**

A summary table of the number of Cricket cellular retail stores we operated during the six month periods ended June 30, 2017 and 2016 follows:

| | 2017 | 2016 |
|---|---|---|
| Beginning | 198 | 99 |
| Acquired/ Launched | 78 | 23 |
| Closed | (8) | (6) |
| Ending | 268 | 116 |

The increase in Cellular Retail segment revenues in the current six month period compared to the same period in the prior year is due to the 53 additional mature stores that we are operating under a store operating agreement which began in November 2016 plus operating approximately 100 additional locations which we have launched or taken over since the end of the prior year period. Effective July 1, 2017, we acquired a 70% ownership interest in the 53 locations under the management agreement, with seller retaining the remaining 30% percent interest.

**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. Revenues for the six month period ended June 30, 2017 were $24.03 million compares to $24.8 million for the comparable period in 2016.

**Consumer Finance**

A summary table of the number of consumer finance locations we operated during the six month periods ended June 30, 2017 and 2016 follows:

| | 2017 | 2016 |
|---|---|---|
| Beginning | 41 | 47 |
| Acquired/ Launched | — | — |
| Closed | — | (1) |
| Ending | 41 | 46 |

Our Consumer Finance segment revenues decreased for the six month period ended June 30, 2017 compared to the six month period ended June 30, 2016 as a result of the store closings in South Dakota at the end of 2016. Revenue decreased 9.21% period over period while net income decreased 20.7%.

**Corporate**

Costs related to our Corporate segment were $0.26 million for the six month period ended June 30, 2017 compared to $0.35 million for the six month period ended June 30, 2016.

### Liquidity and Capital Resources

Summary cash flow data is as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Cash flows provided (used) by: | | |
| Operating activities | $ 581,760 | $ 3,747,234 |
| Investing activities | (1,919,206) | (1,517,532) |
| Financing activities | (2,762,123) | (1,490,028) |
| Net decrease in cash | (4,099,569) | 739,674 |
| Cash, beginning of period | 14,159,975 | 7,847,669 |
| Cash, end of period | $ 10,060,406 | $ 8,587,343 |

At June 30, 2017, we had cash of $10.06 million compared to cash of $8.59 million on June 30, 2016. Both comparable periods include cash flows utilized for growth in our Cellular Retail segment. In July of 2017, we reduced our outstanding credit facility balance by $1 million. We believe that our available cash, combined with expected cash flows from operations and available financing under credit facilities of approximately $6.26 million, will be sufficient to fund our scheduled debt repayments and the Cellular Retail segment anticipated capital expenditures through June 30, 2018.

### Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2017.

## 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 June 30, 2017, 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 June 30, 2017.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 5. Other Information**

Western Capital has entered into an Amended and Restated Employment Agreement with Angel Donchev, to be effective as of August 16, 2017, and under which Mr. Donchev will become the Company's Chief Financial Officer. Mr. Donchev will also retain his current title and responsibilities as the Company's Chief Investment Officer, a position he has held since February 2015. Also on August 16, 2017, Mr. Stephen Irlbeck will resign and relinquish his title as Chief Financial Officer and become the corporate Secretary of Western Capital and will continue to serve as the Chief Financial Officer of certain of Western Capital's subsidiary entities.

Under the terms of the Amended and Restated Employment Agreement, Mr. Donchev will be paid an annual base salary of $300,000 and will be eligible to receive an annual performance-based cash bonus targeted to an amount of $135,000. In addition, Western Capital has agreed to accelerate the vesting of an issued and outstanding stock option held by Mr. Donchev and entitling him to purchase up to 65,000 shares of common stock at the per-share price of $6.00 through March 31, 2025. The Amended and Restated Employment Agreement contains other customary provisions, including a non-disclosure covenant binding Mr. Donchev, and a Company obligation to pay Mr. Donchev 12 months of base salary, as severance, in the event that the Company were to terminate Mr. Donchev's employment without cause.

Prior to February 2015, Mr. Donchev had been employed by Blackstreet Capital Management, LLC, a Delaware limited liability company principally engaged in the management of private investments. Mr. Donchev joined Blackstreet Capital Management in 2005. Blackstreet Capital Management became an affiliate of Western Capital at the close of business on March 31, 2010 through the private purchase of a controlling interest in the capital stock of the Company.

Mr. Donchev currently serves as a director of AlphaGraphics, Inc. (a subsidiary of Western Capital). Prior to his experience with Blackstreet Capital Management, Mr. Donchev worked as a generalist in the Corporate Finance division of Stephens Inc., a middle-market investment bank, where he gained experience in a variety of M&A and public offering transactions. 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, where he graduated summa cum laude.

From March 2010 until September 2014, Mr. Donchev served as a director of Western Capital, having been appointed to that position in connection with the acquisition of voting control of the Company by WCR, LLC, an affiliate of Blackstreet Capital Management.

**Item 6. Exhibits**

| Exhibit | Description |
|---|---|
| 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 18 U.S.C. 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 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: August 14, 2017

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

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

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