

Offer to Purchase for Cash
by
Western Capital Resources, Inc.
of
Up to 666,666 Shares of its Common Stock at a Purchase Price of \$15.00 per Share,
Representing an Aggregate Purchase Price of Up to \$9,999,990

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON APRIL 17, 2025, UNLESS THE OFFER IS EXTENDED OR TERMINATED (SUCH TIME AND DATE, AS IT MAY BE EXTENDED OR TERMINATED, THE “<u>EXPIRATION TIME</u>”).

Western Capital Resources, Inc., a Delaware corporation (the “Company”, “Western Capital”, “we”, “our” or “us”), invites stockholders to tender shares of our Common Stock, par value \$0.0001 per share (the “Common Stock” or the “Shares”), at a price of \$15.00 per Share (the “Purchase Price”), less any applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as they may be amended or supplemented from time to time, together constitute the “Offer”). We are offering to purchase up to 666,666 Shares.

Terms of Offer

Promptly following the Expiration Time, we will, upon the terms and subject to the conditions of the Offer, pay for Shares validly tendered and not validly withdrawn in the Offer at a price of \$15.00 per Share in cash, less any applicable withholding taxes and without interest. The Offer is for 666,666 Shares. In the event of an over-subscription of the Offer, Shares validly tendered and not validly withdrawn will be subject to the proration and “odd lot” priority provisions described in this Offer to Purchase. As a result, we may not purchase all of the Shares that you tender even if you validly tender them.

As of March 20, 2025, prior to giving effect to the Offer, we had 8,822,608 issued and outstanding shares of Common Stock.

We expect to fund the purchase of Shares in the Offer, and to pay the fees and expenses in connection with the Offer, with available cash. **The Offer is not conditioned on any minimum number of Shares being tendered. The Offer is, however, subject to other conditions.**

You may direct questions and requests for assistance to D.F. King & Co., Inc., which is acting as the Information Agent for the Offer (the “Information Agent”). The Information Agent’s address and telephone numbers appear on the back cover of this Offer to Purchase. You may direct requests for additional copies of this Offer to Purchase or the Letter of Transmittal to the Information Agent.

Offer to Purchase, dated March 20, 2025

IMPORTANT

Our Board of Directors (our “Board”) has unanimously approved our making the Offer. However, none of the Company, our Board, the Depositary (as defined herein), or the Information Agent makes any recommendation as to whether you should tender or refrain from tendering your Shares or as to how many Shares to tender in the Offer. We have not authorized any person to make any such recommendation. You must make your own decision as to whether to tender your Shares and, if so, how many Shares to tender.

You should read carefully the information set forth or incorporated by reference in this Offer to Purchase and in the related Letter of Transmittal, including the purpose and effects of the Offer. All of our directors and executive officers are entitled to participate in the Offer on the same basis as all other stockholders and they each have advised us that they do not intend to tender any of their Shares in the Offer. You should discuss whether to tender your Shares with your broker and/or financial or tax advisor.

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offense.

If you wish to tender all or any portion of your Shares pursuant to the Offer, you must do one of the following before the Offer expires:

- if you hold certificates in your own name, follow the instructions described in Section 3, “Procedures For Tendering Shares,” carefully, as you will need to complete a Letter of Transmittal in accordance with the instructions contained therein and deliver it, along with the certificates representing your Shares, any required signature guarantees and any other documents required by the Letter of Transmittal, to Equiniti Trust Company, LLC, the Depositary for the Offer (the “Depositary”);
- if your Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee (the “nominee”), you must contact the nominee and request that the nominee tender your Shares for you; or
- if you are a participant in The Depositary Trust Company (“DTC”), you must tender your Shares according to the procedure for book-entry transfer described in Section 3.

Beneficial owners of Shares should be aware that their broker, dealer, commercial bank, trust company or other nominee may establish its own earlier deadline for participation in the Offer. Accordingly, beneficial owners holding Shares through a broker, dealer, commercial bank, trust company or other nominee and who wish to participate in the Offer should contact their nominee as soon as possible in order to determine the times by which such owner must take action in order to participate in the Offer.

WE ARE NOT AWARE OF ANY JURISDICTION WHERE THE MAKING OF THE OFFER IS NOT IN COMPLIANCE WITH APPLICABLE LAW. IF WE BECOME AWARE OF ANY JURISDICTION WITHIN THE UNITED STATES WHERE THE MAKING OF THE OFFER OR THE ACCEPTANCE OF SHARES PURSUANT TO THE OFFER IS NOT IN COMPLIANCE WITH ANY APPLICABLE LAW, WE WILL MAKE A GOOD FAITH EFFORT TO COMPLY WITH THE APPLICABLE LAW. VALIDLY TENDERED SHARES WILL BE ACCEPTED FROM ALL HOLDERS, WHEREVER LOCATED.

WE HAVE NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING YOUR SHARES OR AS TO HOW MANY SHARES TO TENDER IN THE OFFER. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE (INCLUDING THE INFORMATION INCORPORATED BY REFERENCE HEREIN), IN THE RELATED LETTER OF TRANSMITTAL OR IN THE OTHER OFFER MATERIALS. OUR DELIVERY OF THIS OFFER TO PURCHASE SHALL NOT UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED IN THIS OFFER TO PURCHASE IS CORRECT AS OF ANY TIME

OTHER THAN THE DATE OF THIS OFFER TO PURCHASE OR THAT THERE HAVE BEEN NO CHANGES IN THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE HEREIN OR IN THE AFFAIRS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES OR AFFILIATES SINCE THE DATE HEREOF. IF ANYONE MAKES ANY RECOMMENDATION OR GIVES ANY INFORMATION OR REPRESENTATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, INFORMATION OR REPRESENTATION AS HAVING BEEN AUTHORIZED BY THE COMPANY, OUR BOARD, THE DEPOSITARY OR THE INFORMATION AGENT.

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SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. In this Offer to Purchase, we use the terms the “Company”, “we” and “us” to refer collectively to Western Capital Resources, Inc. and its subsidiaries. We refer to the shares of our Common Stock collectively as the “Shares”. This summary term sheet highlights only certain information contained in this Offer to Purchase. We urge you to read the entire Offer to Purchase (including the documents incorporated by reference herein) and the related Letter of Transmittal (which, as they may be amended or supplemented from time to time, together constitute the “Offer”) because they contain the full details of the Offer. In this summary term sheet we have included references to the sections of this document where you will find a more complete discussion of the terms of the Offer.

Who is offering to purchase my Shares?

Western Capital Resources, Inc., the issuer of the Shares.

How many Shares is the Company offering to purchase?

Upon the terms and subject to the conditions of the Offer, we are offering to purchase, at the Purchase Price, up to 666,666 Shares validly tendered in the Offer and not validly withdrawn.

As of March 20, 2025, prior to giving effect to the Offer, we had 8,822,608 issued and outstanding shares of Common Stock. In the event of an over-subscription of the Offer, Shares validly tendered and not validly withdrawn will be subject to proration described in this Offer to Purchase and, as a result, all of the Shares so tendered may not be purchased.

The Offer is not conditioned on any minimum number of Shares being tendered by stockholders, but is subject to certain other conditions.

Do the Company’s directors and executive officers intend to tender their Shares in the Offer?

All of our directors and executive officers are entitled to participate in the Offer on the same basis as all other stockholders and they each have advised us that they do not intend to tender any of their Shares in the Offer.

What is the purpose of the Offer?

The Offer will provide our stockholders with an opportunity to obtain liquidity with respect to all or a portion of their Shares and thereby receive a return of capital (subject to the “odd lot” priority and proration provisions described in this Offer to Purchase).

What will the Purchase Price for the Shares be and what will be the form of payment?

The purchase price for the Shares will be \$15.00 per Share (the “Purchase Price”). If your Shares are purchased in the Offer, we will pay you the Purchase Price, in cash, less any applicable withholding taxes and without interest, promptly after the expiration of the Offer. Under no circumstances will we pay interest on the Purchase Price, even if there is a delay in making payment.

How do I tender my Shares?

If you want to tender all or part of your Shares, you must do one of the following before the applicable deadline set forth below:

- if you hold certificates in your own name, you must follow the instructions described in Section 3 “Procedures For Tendering Shares” carefully, as you will need to complete a Letter of Transmittal in accordance with the instructions contained therein and deliver it, along with the certificates representing your Shares, any required signature guarantees and any other documents required by the Letter of Transmittal, to Equinti Trust Company, LLC, the Depositary for the Offer (the “Depositary”);

- if your Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee (a “nominee”), you must contact the nominee and request that the nominee tender your Shares for you; or
- if you are a participant in The Depository Trust Company (“DTC”), you must tender your Shares according to the procedure for book-entry transfer described in Section 3.

You may contact D.F. King & Co., Inc., which is acting as the Information Agent for the Offer (the “Information Agent”), for assistance. The contact information for the Information Agent appears on the back cover of this Offer to Purchase.

How long do I have to tender my Shares and can the Offer be extended, amended or terminated?

You may tender your Shares until the Offer expires. The Offer will expire on April 17, 2025, at 5:00 p.m. New York City time unless we extend or terminate it (such date and time, as it may be extended or terminated, the “Expiration Time”). **If brokers, dealers, commercial banks, trust companies or other nominees hold your Shares, it is likely that they will require you to meet an earlier deadline for tendering into the Offer. We recommend that beneficial owners holding Shares through nominees and wishing to participate in the Offer contact such nominees as soon as possible in order to determine the times by which such beneficial owners must take action in order to participate in the Offer.**

We may choose to extend the Offer at any time and for any reason, subject to applicable laws; *provided, however*, in no event will we extend the Offer until later than July 18, 2025. We cannot assure you that we will extend the Offer. If we extend the Offer, we will delay the acceptance for payment of any Shares that have been tendered, and any Shares that have been previously tendered may be withdrawn up until the Expiration Time, as so extended. We can also amend the Offer in our sole discretion or terminate the Offer under certain circumstances.

How will I be notified if the Company extends the Offer, amends the terms of the Offer or terminates the Offer?

If we extend the Offer, we will issue a press release announcing the extension and the new expiration time by 9:00 a.m., New York City time, on the business day immediately following the last previously scheduled or announced Expiration Time. We will announce any amendment of the terms of the Offer or termination of the Offer by making a public announcement of the amendment or termination. If we extend the Offer, you may withdraw your Shares until the Expiration Time, as extended.

What are the conditions to the Offer?

Our obligation to accept for payment and pay for your tendered Shares is subject to a number of conditions that must be satisfied in our reasonable judgment or waived by us prior to the Expiration Time.

How will the Offer affect the number of Shares outstanding and the number of record holders of the Company?

We will purchase 666,666 shares of Common Stock. As of March 20, 2025, prior to giving effect to the Offer, we had 8,822,608 issued and outstanding shares of Common Stock.

We will either cancel and retire or hold as treasury stock shares of Common Stock that we acquire in the Offer. Retired shares will return to the status of authorized and unissued Shares and will be available for us to issue without further stockholder action for all purposes except as required by applicable law and regulation. We have no current plans for the reissuance of Shares purchased in the Offer.

What happens if more than 666,666 Shares are tendered?

If more than 666,666 Shares are validly tendered and not validly withdrawn, we will purchase Shares as follows:

- *first*, from all holders of “odd lots” of less than 100 Shares who validly tender all of their Shares, do not validly withdraw such Shares and complete the section entitled “Odd Lots” in the Letter of Transmittal; and

- *second*, from all other stockholders who validly tender Shares and do not validly withdraw such Shares, on a pro rata basis, based on the Proration Factor (as defined herein).

If I own fewer than 100 Shares and I tender all of my Shares, will I be subject to proration?

Upon the terms and subject to the conditions of the Offer, if you own beneficially or of record fewer than 100 Shares in the aggregate, you validly tender all of these Shares, you do not withdraw such Shares before the Offer expires and you complete the section entitled “Odd Lots” in the Letter of Transmittal, we will purchase all of your Shares without subjecting them to the proration procedure.

Once I have tendered Shares in the Offer, can I withdraw my tender?

Yes. You may withdraw any Shares you have tendered at any time before 5:00 p.m., New York City time, on April 17, 2025, unless we extend the Offer, in which case you can withdraw your Shares until the expiration of the Offer as extended.

How do I withdraw Shares I previously tendered?

To withdraw tendered Shares, you must deliver a written notice of withdrawal with the required information to the Depositary while you still have the right to withdraw the Shares. Your notice of withdrawal must specify your name, the number of Shares to be withdrawn and the name of the registered holder of these Shares, if different from the name of the person who tendered the Shares. Some additional requirements apply if the Share certificates to be withdrawn have been delivered to the Depositary or if your Shares have been tendered under the procedure for book-entry transfer set forth in Section 3. If you have tendered your Shares by giving instructions to a nominee, you must instruct that nominee to arrange for the withdrawal of your Shares.

What will happen to my Shares if they are not purchased in the Offer?

The Depositary will return unpurchased Shares promptly after the expiration or termination of the Offer or, in the case of Shares tendered by book-entry transfer at the book-entry transfer facility, the Depositary will credit the Shares to the appropriate account maintained by the tendering stockholder at the book-entry transfer facility, in each case without expense to the stockholder.

Has the Company or its Board adopted a position on the Offer?

Our Board has unanimously approved our making the Offer. However, none of the Company, our Board, the Depositary or the Information Agent makes any recommendation as to whether you should tender or refrain from tendering your Shares or as to how many Shares to tender in the Offer. You must make your own decision as to whether to tender your Shares and, if so, how many Shares to tender. In so doing, you should read carefully the information set forth or incorporated by reference in this Offer to Purchase and in the related Letter of Transmittal, including our reasons for making the Offer.

When and how will the Company pay for the Shares I tender?

Upon the terms and subject to the conditions of the Offer, we will pay the Purchase Price, less any applicable withholding taxes and without interest, for the Shares we purchase promptly after expiration of the Offer. We will announce the preliminary results of the Offer, including price and preliminary information about any expected proration, by 9:00 a.m., New York City time, on the business day following the last previously scheduled or announced Expiration Time. We will pay for the Shares accepted for payment by depositing the aggregate purchase price with the Depositary. The Depositary will act as your agent and will transmit to you (or to your nominee) the payment for all your Shares accepted for payment.

Does the Company intend to repurchase any Shares other than pursuant to the Offer during or after the Offer?

Rule 13e-4 and Rule 14e-5 of the Exchange Act generally prohibit us and our affiliates from purchasing any Shares, other than pursuant to the Offer, during the Offer and for the period ending ten business days after the expiration of the Offer.

The Company has no present plans to repurchase Shares following the conclusion of the ten-business day period following the Expiration Time. Whether we make additional repurchases will depend on many factors, including, without limitation, the number of Shares, if any, that we purchase in the Offer, our business and financial performance and situation, the business and market conditions at the time, including the price of the Shares and limitations in the agreements governing our indebtedness, and such other factors as we may consider relevant. Any of these repurchases may be on the same terms or on terms that are more or less favorable to the selling stockholders in those transactions than the terms of the Offer.

What are the U.S. federal income tax consequences if I tender my Shares?

If you are a U.S. Holder (as defined in Section 10), the receipt of cash from us in exchange for your Shares will be a taxable event for you for U.S. federal income tax purposes. The receipt of cash for your Shares generally will be treated for U.S. federal income tax purposes either as (1) a sale or exchange eligible for gain or loss treatment or (2) a distribution in respect of stock from the Company. If you are a U.S. Holder, you should complete the Internal Revenue Service (“IRS”) Form W-9 included as part of the Letter of Transmittal. Any tendering stockholder that fails to complete, sign and return to the Depository (or other applicable withholding agent) a substitute IRS Form W-9 included in the Letter of Transmittal (or other such IRS form as may be applicable) may be subject to U.S. backup withholding. Such withholding would be equal to 24% of the gross proceeds paid to such stockholder pursuant to the Offer.

If you are a Non-U.S. Holder (as defined in Section 10), you generally will be subject to U.S. federal tax withholding at a rate of 30% on the gross payments received pursuant to the Offer, subject to reduction by an applicable treaty or an exemption for income that is effectively connected with your conduct of trade or business within the United States, as evidenced by the applicable IRS Form W-8 that you furnish to the Depository (or other applicable withholding agent).

We advise you to consult your tax advisor with respect to your particular situation.

Will I have to pay brokerage commissions if I tender my Shares?

If you are the record owner of your Shares and you tender your Shares directly to the Depository, you will not pay brokerage commissions or similar expenses. If you hold your Shares through a nominee and such nominee tenders your Shares on your behalf, that nominee may charge you a fee. You should consult with your nominee to determine whether any charges will apply.

Will I have to pay stock transfer tax if I tender my Shares?

We will pay all stock transfer taxes unless payment is made to, or if Shares not tendered or accepted for payment are to be registered in the name of, someone other than the registered holder, or tendered certificates are registered in the name of someone other than the person signing the Letter of Transmittal.

Who do I contact if I have questions?

If you have any questions regarding the Offer, please contact the Information Agent toll-free at 1-866-620-2536. Additional contact information for the Information Agent is set forth on the back cover page of this document. You may request additional copies of this Offer to Purchase, the Letter of Transmittal and other Offer materials from the Information Agent at the telephone numbers and address on the back cover of this Offer to Purchase.

THE OFFER

1. Number of Shares; Purchase Price; Proration

General. Upon the terms and subject to the conditions of the Offer, we will purchase up to 666,666 Shares at a price of \$15.00 per Share, less any applicable withholding taxes and without interest, which represents an aggregate price of up to \$9,999,990.

The term “Expiration Time” means 5:00 p.m., New York City time, on April 17, 2025, unless we extend or terminate the period of time during which the Offer will remain open, in which event the term “Expiration Time” shall refer to the latest time and date at which the Offer, as so extended or terminated by us, shall expire.

If we materially change the terms of the Offer or the information concerning the Offer, we will extend the Offer if and to the extent required by Rules 13e-4(e)(3) and 13e-4(f)(1) promulgated under the Exchange Act and the related releases and interpretations of the SEC. These rules and related releases and interpretations of the SEC provide that the minimum period during which a tender offer must remain open following material changes in the terms of the Offer or information concerning the Offer (other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of such terms or information.

For the purposes of the Offer, a “business day” means any day other than a Saturday, Sunday or U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

The Offer is not conditioned upon any minimum number of Shares being tendered. The Offer is subject to other conditions.

Shares properly tendered in the Offer and not properly withdrawn will be purchased at the Purchase Price, upon the terms and subject to the conditions of the Offer, including the “odd lot” priority and proration provisions as described in this Offer to Purchase. The proration period and, except as described herein, the withdrawal rights expire at the Expiration Time. All Shares tendered and not purchased under the Offer, including Shares not purchased because of the “odd lot” priority or proration provisions, will be returned to the tendering stockholders or, in the case of Shares delivered by book-entry transfer, credited to the account at the book-entry transfer facility from which the transfer had previously been made, at our expense promptly following the Expiration Time.

Priority of Purchases. Upon the terms and subject to the conditions of the Offer, if more than 666,666 Shares have been validly tendered and not validly withdrawn, we will, subject to applicable law, purchase such Shares validly tendered and not validly withdrawn on the basis set forth below:

- *first*, we will purchase all Shares tendered by any Odd Lot Holder (as defined below) who:
 - tenders all Shares owned beneficially or of record and does not validly withdraw such Shares (tenders of less than all of the Shares owned by the Odd Lot Holder will not qualify for this preference); and
 - completes the section entitled “Odd Lots” in the Letter of Transmittal; and
- *second*, we will purchase all other Shares validly tendered (and not validly withdrawn) on a pro rata basis, based on the Proration Factor (as defined below), with appropriate adjustments to avoid purchases of fractional Shares.

As a result, all of the Shares that a stockholder tenders in the Offer may not be purchased.

Odd Lots. The term “Odd Lots” means all Shares validly tendered prior to the Expiration Time and not withdrawn by any person who owned beneficially or of record a total of fewer than 100 Shares and so certified in the appropriate place on the Letter of Transmittal (an “Odd Lot Holder”). To qualify for this Odd Lot preference, an Odd Lot Holder must tender all Shares owned by such Odd Lot Holder in accordance with the procedures described in Section 3. Odd Lots will be accepted for payment before any proration of the purchase of other tendered Shares. This preference is not available to partial tenders or to beneficial or record holders of an aggregate of 100 or more Shares, even if these holders have separate accounts or certificates representing fewer than 100 Shares. By tendering in the Offer, an Odd

Lot Holder who holds Shares in the Odd Lot Holder's name and tenders such Shares directly to the Depositary would not only avoid the payment of brokerage commissions, but also would avoid any applicable odd lot discounts in a sale of the holder's Shares on a securities exchange. Any Odd Lot Holder wishing to tender all of such Odd Lot Holder's Shares pursuant to the Offer should complete the section entitled "Odd Lots" in the Letter of Transmittal

Proration. If proration of tendered Shares is required, we will determine the proration factor promptly following the Expiration Time (the "Proration Factor"). Subject to adjustment to avoid the purchase of fractional Shares, proration for each stockholder tendering Shares, other than Odd Lot Holders, will be based on the ratio of the number of Shares validly tendered and not validly withdrawn by the stockholder to the total number of Shares validly tendered and not validly withdrawn by all stockholders, other than Odd Lot Holders. The preliminary results of any proration will be announced by press release as promptly as practicable after the Expiration Time. After the Expiration Time, stockholders may obtain preliminary proration information from the Information Agent and also may be able to obtain the information from their brokers.

As described in Section 10, "*Material U.S. Federal Income Tax Consequences*", the number of Shares that we will purchase from a stockholder in the Offer may affect the U.S. federal income tax consequences of the purchase to the stockholder and, therefore, may be relevant to a stockholder's decision whether to tender Shares. The Letter of Transmittal affords tendering stockholders the opportunity to designate the order of priority in which Shares tendered are to be purchased in the event of proration.

This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on our stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. Purpose of the Offer; Certain Effects of the Offer

Purpose of the Offer. We will purchase 666,666 shares of Common Stock. The Offer will allow the Company to provide our stockholders with an opportunity to obtain liquidity with respect to all or a portion of their Shares and thereby receive a return of capital (subject to the "odd lot" priority and proration provisions described in this Offer to Purchase).

As of March 20, 2025, prior to giving effect to the Offer, we had 8,822,608 issued and outstanding shares of Common Stock.

Our Board has unanimously approved our making the Offer. However, none of the Company, our Board, the Depositary or the Information Agent makes any recommendation as to whether you should tender or refrain from tendering your Shares or as to how many Shares to tender in the Offer. We have not authorized any person to make any such recommendation. You must make your own decision as to whether to tender your Shares and, if so, how many Shares to tender. You should read carefully the information set forth or incorporated by reference in this Offer to Purchase and in the related Letter of Transmittal, including information regarding the purposes and effects of the Offer. You should discuss whether to tender your Shares with your tax advisor, financial advisor and/or broker.

Certain Effects of the Offer. After the Offer is completed, we believe that our anticipated financial condition, cash flow from operations and access to capital will provide us with adequate financial resources.

We will either cancel and retire or hold as treasury stock shares of Common Stock that we acquire in the Offer. Retired shares will return to the status of authorized and unissued Shares and will be available for us to issue without further stockholder action for all purposes except as required by applicable law and regulation. We have no current plans for the reissuance of Shares purchased in the Offer.

Stockholders who do not tender may be able to sell their non-tendered Shares in the future on the over-the-counter expert market or otherwise at a net price higher or lower than the Purchase Price in the Offer. We can give no assurance, however, as to the price at which a stockholder may be able to sell his or her Shares in the future, or if the stockholder will be able to sell his or her Shares at all.

Other Plans. Except as disclosed in this Offer to Purchase, Western Capital currently has no plans, proposals or negotiations underway that relate to or would result in:

- any extraordinary transaction, such as a merger, reorganization or liquidation, involving us or any of our subsidiaries;
- any purchase, sale or transfer of a material amount of our, or our subsidiaries', assets to or from a third party;
- any material change in our present dividend rate or policy, indebtedness or capitalization;
- any change in our present Board or management;
- any other material change in our corporate structure or business; or
- the acquisition by any person of additional securities of Western Capital, or the disposition by any person of securities of Western Capital.

Although we do not currently have any plans, other than as described in this Offer to Purchase, that relate to or would result in any of the events discussed above, we continue to evaluate opportunities for increasing stockholder value and we may undertake or plan actions that relate to or could result in one or more of these events.

Recent Developments – Northern Brewer. In July 2024, a subsidiary of Western Capital acquired Northern Brewer LLC (“Northern Brewer”) from an affiliate. Northern Brewer was acquired for \$6.2 million in cash at closing plus transaction expenses and the assumption of certain past due liabilities and the lease obligation for Northern Brewer’s then office and warehouse facility. A fairness opinion was performed on the valuation of the transaction by an independent third party.

The acquisition has been accounted for as an entity under common control, and therefore the full results of Northern Brewer for fiscal years 2024 and 2023 have been included in the Company's Unaudited Pro Forma Consolidated Financial Statements. Northern Brewer Revenues and Net (Loss) included in the unaudited results for fiscal years 2024 and 2023 were \$14.8 million and (\$2.2 million) and \$25.3 million and (\$5.3 million), respectively. Northern Brewer fiscal year 2023 and 2024 results include a \$3.7 million goodwill impairment charge and a \$0.7 million expense for settling liabilities related to the Northern Brewer’s prior facility, respectively. In addition, the Company’s Direct to Consumer segment incurred transaction and integration expenses of \$1.0 million during fiscal year 2024, related to this acquisition. The results of Northern Brewer are not included in the 2023 audit as the transaction occurred after the audit was published. See Western Capital’s financial statements in the attached Exhibit A.

3. Procedures for Tendering Shares

Valid Tender. For a stockholder to make a valid tender of Shares under the Offer, the Depositary must receive, at its address set forth on the back cover of this Offer to Purchase, and prior to the Expiration Time:

- a Letter of Transmittal, properly completed and duly executed, or, in the case of a book-entry transfer, an “agent’s message” (see “*Book-Entry Transfer*” below) and any other required documents; and
- either certificates representing the tendered Shares or, in the case of tendered Shares delivered in accordance with the procedures for book-entry transfer we describe below, a book-entry confirmation of that delivery (see “*Book-Entry Transfer*” below).

The valid tender of Shares by you by one of the procedures described in this Section 3 will constitute a binding agreement between you and us on the terms of, and subject to the conditions to, the Offer, which agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Stockholders holding their Shares in a brokerage account or otherwise through a broker, dealer, commercial bank, trust company or other nominee, must contact such nominee in order to tender their Shares. It is likely that the nominee will establish an earlier deadline for you to act to instruct the nominee to accept the Offer on your behalf. Stockholders who hold Shares through a nominee are urged to consult such nominees to determine their applicable deadline and whether transaction costs may apply if stockholders tender Shares through the nominees and not directly to the Depositary.

Odd Lot Holders must tender all of their Shares and also complete the section captioned “Odd Lots” in the Letter of Transmittal to qualify for the preferential treatment available to Odd Lot Holders as set forth in Section 1.

Book-Entry Transfer. For purposes of the Offer, the Depositary will establish an account for the Shares at DTC within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the book-entry transfer facility’s system may make book-entry delivery of Shares by causing the book-entry transfer facility to transfer those Shares into the Depositary’s account in accordance with the book-entry transfer facility’s procedures for that transfer. Although delivery of Shares may be effected through book-entry transfer into the Depositary’s account at the book-entry transfer facility, a Letter of Transmittal properly completed and duly executed, with any required signature guarantees, or an agent’s message and all other required documents, must in any case be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Time.

The confirmation of a book-entry transfer of Shares into the Depositary’s account at the book-entry transfer facility is referred to herein as a “book-entry confirmation.” **Delivery of documents to the book-entry transfer facility in accordance with the book-entry transfer facility’s procedures will not constitute delivery to the Depositary.**

The term “agent’s message” means a message transmitted by the book-entry transfer facility to, and received by, the Depositary and forming a part of a book-entry confirmation, stating that the book-entry transfer facility has received an express acknowledgment from the participant tendering Shares through the book-entry transfer facility that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that we may enforce that agreement against that participant.

Method of Delivery. **The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through the book-entry transfer facility, is at the sole election and risk of the tendering stockholder. Shares will be deemed delivered only when actually received by the Depositary (including, in the case of a book-entry transfer, by book-entry confirmation). If you plan to make delivery by mail, we recommend that you deliver by registered mail with return receipt requested and obtain proper insurance. In all cases, sufficient time should be allowed to ensure timely delivery.**

Letters of Transmittal must be received in the office of the Depositary by the Expiration Time. Delivery of these documents to the Depositary’s address at any time after 5:00 p.m., New York City time, on April 17, 2025 does not constitute receipt by the Depositary. Timeliness of receipt of all documents shall be determined by the Depositary in its sole discretion.

Signature Guarantees. No signature guarantee will be required on a Letter of Transmittal for Shares if:

- the “registered holder(s)” of those Shares sign(s) the Letter of Transmittal and has not completed the box entitled “Special Payment Instructions” or the box entitled “Special Delivery Instructions” in the Letter of Transmittal; or
- those Shares are tendered for the account of an “eligible institution.”

A “registered holder” of tendered Shares will include any stockholder registered on the books of the Company’s transfer agent, and an “eligible institution” is a “financial institution,” which term includes most commercial banks, savings and loan associations and brokerage houses, that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including (i) the Security Transfer Agents Medallion Program, (ii) the NASDAQ Medallion Signature Program and (iii) the Stock Exchanges Medallion Program.

Except as we describe above, all signatures on any Letter of Transmittal for Shares tendered thereby must be guaranteed by an “eligible institution.” If the certificates for Shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made or certificates for Shares not tendered or not accepted for payment are to be returned to a person other than the registered holder of the certificates surrendered, then the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as aforesaid.

In all cases, payment for Shares tendered and accepted for payment in the Offer will be made only after timely receipt by the Depositary of certificates for the Shares (or a timely confirmation of the book-entry transfer of the Shares into the Depositary’s account at the book-entry transfer facility as described above), a properly completed and duly

executed Letter of Transmittal, or an agent's message, in the case of a book-entry transfer, and any other documents required by the Letter of Transmittal.

Return of Unpurchased Shares. The Depositary will return unpurchased Shares promptly after the expiration of the Offer or the valid withdrawal of the Shares, as applicable, or, in the case of Shares tendered by book-entry transfer at the book-entry transfer facility, the Depositary will credit the Shares to the appropriate account maintained by the tendering stockholder at the book-entry transfer facility, in each case without expense to the stockholder.

Tendering Stockholders' Representations and Warranties; Tender Constitutes an Agreement. It is a violation of Rule 14e-4 promulgated under the Exchange Act for a person acting alone or in concert with others, directly or indirectly, to tender Shares for such person's own account unless at the time of tender and at the Expiration Time such person has a "net long position" in (a) the Shares that is equal to or greater than the amount tendered and will deliver or cause to be delivered such Shares for the purpose of tendering them to us within the period specified in the Offer or (b) other securities immediately convertible into, exercisable for or exchangeable into Shares ("Equivalent Securities") that are equal to or greater than the amount tendered and, upon the acceptance of such tender, will acquire such Shares by conversion, exchange or exercise of such Equivalent Securities to the extent required by the terms of the Offer and will deliver or cause to be delivered such Shares so acquired for the purpose of tender to us within the period specified in the Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of Shares made pursuant to any method of delivery set forth herein will constitute the tendering stockholder's acceptance of the terms and conditions of the Offer, as well as the tendering stockholder's representation and warranty to us that (a) such stockholder has a "net long position" in Shares or Equivalent Securities at least equal to the Shares being tendered within the meaning of Rule 14e-4 and (b) such tender of Shares complies with Rule 14e-4.

A tender of Shares made pursuant to any method of delivery set forth herein will also constitute a representation and warranty to us that the tendering stockholder has full power and authority to tender, sell, assign and transfer the Shares tendered, and that, when the same are accepted for payment by us, we will acquire good, marketable and unencumbered title thereto, free and clear of all security interests, liens, restrictions, claims, encumbrances and other obligations relating to the sale or transfer of the Shares, and the same will not be subject to any adverse claim or right.

Any such tendering stockholder will, on request by the Depositary or us, execute and deliver any additional documents deemed by the Depositary or us to be reasonably necessary or desirable to complete the sale, assignment and transfer of the Shares tendered, all in accordance with the terms of the Offer.

All authority conferred or agreed to be conferred by delivery of the Letter of Transmittal shall be binding on the successors, assigns, heirs, personal representatives, executors, administrators and other legal representatives of the tendering stockholder and shall not be affected by, and shall survive, the death or incapacity of such tendering stockholder.

Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects. All questions as to the number of Shares to be accepted, the price to be paid for Shares and the validity, form, eligibility (including time of receipt) and acceptance for payment of any Shares will be determined by us, in our sole discretion, and our determination will be final and binding on all parties, subject to an Offer participant's right to dispute such determination in a court of competent jurisdiction. We reserve the absolute right to reject any or all tenders we determine not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any conditions of the Offer with respect to all stockholders or any defect or irregularity in any tender with respect to any particular Shares or any particular stockholder whether or not we waive similar defects or irregularities in the case of other stockholders. No tender of Shares will be deemed to have been properly made until all defects or irregularities relating thereto have been cured or waived. None of the Company, the Dealer Manager, the Depositary or the Information Agent will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Our interpretation of the terms of and conditions to the Offer, including the Letter of Transmittal and the instructions thereto, will be final and binding on all parties, subject to an Offer participant's right to dispute such determination in a court of competent jurisdiction.

U.S. Federal Income Tax Backup Withholding; Information Reporting. If you are a U.S. Holder, you may be subject to certain information reporting requirements (unless you are a corporation or other exempt recipient). Under the U.S. federal income tax backup withholding rules, 24% of the gross proceeds payable to a stockholder in the Offer

must be withheld and remitted to the IRS unless the stockholder provides its taxpayer identification number (employer identification number or social security number), generally in the form of a properly completed and executed IRS Form W-9 to the Depositary (or other applicable withholding agent), and certifies under penalties of perjury that such number is correct, or such stockholder otherwise establishes an exemption. If the Depositary (or other applicable withholding agent) is not provided with the correct taxpayer identification number or another adequate basis for exemption, the stockholder may also be subject to certain penalties imposed by the IRS. Therefore, each tendering stockholder that is a U.S. Holder (as defined in Section 14) should complete and sign the IRS Form W-9 included as part of the Letter of Transmittal in order to provide the information and certification necessary to avoid the backup withholding, unless the stockholder otherwise establishes to the satisfaction of the Depositary (or other applicable withholding agent) that the stockholder is not subject to backup withholding. Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or claim a refund of such amounts if they timely provide certain required information to the IRS.

Certain Non-U.S. Holders (as defined in Section 10) are not subject to backup withholding. In order for a Non-U.S. Holder to qualify as an exempt recipient, that stockholder must submit an IRS Form W-8BEN or W-8BEN-E, as appropriate, or other applicable IRS Form W-8 (or a suitable substitute form), signed under penalties of perjury, attesting to that stockholder's exempt status. The applicable form can be obtained from the Depositary at the address and telephone number set forth on the back cover page of this Offer to Purchase.

In addition, the Depositary (or other applicable withholding agent) may be required to report to the IRS the payment of the Offer proceeds to non-exempt stockholders.

Stockholders are advised to consult their tax advisors regarding information reporting and possible qualifications for exemption from backup withholding and the procedure for obtaining any applicable exemption.

Withholding for Non-U.S. Holders. Because we may not know the extent to which a payment made pursuant to the Offer is a dividend for U.S. federal income tax purposes at the time it is made, the Depositary (or other applicable withholding agent) generally will presume, for withholding purposes, that the entire amount received by a Non-U.S. Holder participating in the Offer is a dividend distribution from us. Accordingly, even if a Non-U.S. Holder has provided the required certification to avoid backup withholding, the Depositary (or other applicable withholding agent) generally will withhold U.S. federal income taxes equal to 30% of the gross payments payable to such Non-U.S. Holder, unless the Depositary (or other applicable withholding agent) determines that a reduced rate of or an exemption from withholding is available under an applicable income tax treaty or that an exemption from withholding is applicable because the gross proceeds are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. To obtain a reduced rate of withholding under a tax treaty, a Non-U.S. Holder must deliver to the Depositary (or other applicable withholding agent) a properly executed IRS Form W-8BEN or W-8BEN-E, as appropriate (or a suitable substitute form) before payment is made, certifying that the Non-U.S. Holder is entitled to a reduced rate of withholding under an applicable tax treaty and that it is not subject to withholding under the provisions commonly referred to as "FATCA". To obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Offer are effectively connected with the conduct of a trade or business within the United States, a Non-U.S. Holder must deliver to the Depositary (or other applicable withholding agent) a properly executed IRS Form W-8ECI (or a suitable substitute form) before payment is made. A Non-U.S. Holder that qualifies for an exemption from withholding by delivering IRS Form W-8ECI (or a suitable substitute form) generally will be required to file a U.S. federal income tax return and, subject to any applicable tax treaty, generally will be subject to U.S. federal income tax on income derived from the sale of Shares pursuant to the Offer in the manner and to the extent described in Section 14 as if it were a U.S. Holder. Additionally, in the case of a foreign corporation, such income may be subject to a branch profits tax at a rate of 30% (or a lower rate specified in an applicable income tax treaty). The Depositary (or other applicable withholding agent) will determine a stockholder's status as a Non-U.S. Holder and eligibility for a reduced rate of, or an exemption from, withholding by reference to valid certificates or statements concerning eligibility for a reduced rate of, or an exemption from, withholding (e.g., IRS Form W-8BEN or W-8BEN-E, as appropriate (or a suitable substitute form) or IRS Form W-8ECI (or a suitable substitute form)) received from the Non-U.S. Holder unless facts and circumstances indicate that reliance is not warranted.

A Non-U.S. Holder may be eligible to obtain a refund of all or a portion of any tax withheld if the Non-U.S. Holder (i) meets the "complete termination," "substantially disproportionate" or "not essentially equivalent to a dividend" test described in Section 10 that would characterize the exchange as a sale (as opposed to a dividend) with respect to

which the Non-U.S. Holder is not subject to U.S. federal income tax or (ii) is otherwise able to establish that no tax or a reduced amount of tax is due and the requisite information is timely furnished to the IRS.

FATCA Withholding Taxes. Provisions commonly referred to as “FATCA” impose withholding of 30% on payments of dividends by U.S. corporations to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied, or an exemption applies. An intergovernmental agreement between the U.S. and the entity’s jurisdiction may modify these requirements. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). Any amounts withheld under FATCA may be credited against the 30% withholding tax discussed in the preceding two paragraphs.

As described above under “*Withholding for Non-U.S. Holders*” above, the applicable withholding agent generally will treat the entire amount payable to a Non-U.S. Holder as a dividend distribution from us. Accordingly, such withholding agent generally will withhold U.S. federal income taxes equal to 30% of the gross proceeds payable to the Non-U.S. Holder, unless such Non-U.S. Holder provides to the applicable withholding agent a validly completed and executed IRS Form W-8BEN, W-8BEN-E or W-8ECI (or a suitable substitute form) demonstrating that FATCA withholding is not warranted. If the applicable withholding agent withholds tax under FATCA, it will not also withhold the 30% U.S. federal income tax described under “*Withholding for Non-U.S. Holders*” above. Non-U.S. Holders are urged to consult with their tax advisors regarding the effect, if any, of the FATCA provisions on them based on their particular circumstances.

Non-U.S. Holders are advised to consult their tax advisors regarding the application of U.S. federal income tax withholding and information reporting, including eligibility for a withholding tax reduction or exemption, and the refund procedure.

For further discussion of U.S. federal income tax consequences to tendering stockholders, see Section 10.

Lost Certificates. If the Share certificates which a registered holder wants to surrender have been lost, destroyed or stolen, the stockholder should promptly notify the Depositary at 1-866-877-6270. The Depositary will instruct the stockholder as to the steps that must be taken to replace the certificates. That certificate will then be required to be submitted together with the Letter of Transmittal to receive payment for Shares that are tendered and accepted for payment. A bond may be required to be posted by the stockholder to secure against the risk that the certificates may be subsequently recirculated. The Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed. Stockholders are requested to contact the Depositary immediately in order to permit timely processing of this documentation. Certificates for Shares, together with a properly completed Letter of Transmittal and any other documents required by the Letter of Transmittal, must be delivered to the Depositary and not to us, the Dealer Manager or the Information Agent. Any certificates delivered to us, the Dealer Manager or the Information Agent will not be forwarded to the Depositary and will not be deemed to be properly tendered.

4. Withdrawal Rights

You may withdraw Shares that you have previously tendered under the Offer at any time prior to the Expiration Time. You may also withdraw your previously tendered Shares at any time after 5:00 p.m., New York City time, on April 17, 2025, unless such Shares have already been accepted for payment by us as provided in the Offer. Except as this Section 4 otherwise provides, tenders of Shares are irrevocable.

For a withdrawal to be effective, a written notice of withdrawal must:

- be received in a timely manner by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase; and
- specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares.

If a stockholder has used more than one Letter of Transmittal or has otherwise tendered Shares in more than one group of Shares, the stockholder may withdraw Shares using either separate notices of withdrawal or a combined notice of withdrawal, so long as the information specified above is included.

If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of those certificates, the serial numbers shown on those certificates must be submitted to the Depositary and, unless an “eligible institution” has tendered those Shares, an “eligible institution” must guarantee the signatures on the notice of withdrawal.

If Shares have been delivered in accordance with the procedures for book-entry transfer described in Section 3, any notice of withdrawal must also specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Shares and otherwise comply with the book-entry transfer facility’s procedures.

Withdrawals of tenders of Shares may not be rescinded, and any Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. Withdrawn Shares may be re-tendered at any time prior to the Expiration Time by again following one of the procedures described in Section 3.

We will decide, in our sole discretion, all questions as to the form and validity, including time of receipt, of notices of withdrawal, and each such decision will be final and binding on all parties, subject to an Offer participant’s right to dispute such determination in a court of competent jurisdiction. We also reserve the absolute right to waive any defect or irregularity in the withdrawal of Shares by any stockholder, whether or not we waive similar defects or irregularities in the case of any other stockholder. None of the Company, the Depositary or the Information Agent will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

If we extend the Offer, are delayed in our purchase of Shares or are unable to purchase Shares under the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may, subject to applicable law, retain tendered Shares on our behalf, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to withdrawal rights as described in this Section 4. Our reservation of the right to delay payment for Shares which we have accepted for payment is limited by Rule 13e-4(f)(5) promulgated under the Exchange Act, which requires that we must pay the consideration offered or return the Shares tendered promptly after termination or withdrawal of a tender offer.

5. Purchase of Shares and Payment of Purchase Price

Upon the terms and subject to the conditions of the Offer, promptly following the Expiration Time, we will accept for payment and pay for, and thereby purchase, up to 666,666 Shares validly tendered and not validly withdrawn.

For purposes of the Offer, we will be deemed to have accepted for payment, subject to the “odd lot” priority and proration provisions of the Offer, Shares that are validly tendered and not withdrawn only when, as and if we give oral or written notice to the Depositary of our acceptance of the Shares for payment pursuant to the Offer.

Upon the terms and subject to the conditions of the Offer, we will accept for payment and pay the Purchase Price for all of the Shares accepted for payment pursuant to the Offer promptly after the Expiration Time. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly, but only after timely receipt by the Depositary of:

- certificates for Shares, or a timely book-entry confirmation of the deposit of Shares into the Depositary’s account at the book-entry transfer facility;
- a properly completed and duly executed Letter of Transmittal or, in the case of a book-entry transfer, an agent’s message; and
- any other required documents.

We will pay for Shares purchased by depositing the aggregate purchase price for the Shares with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from us and transmitting payment to tendering stockholders. We will be deemed to have purchased Shares under the Offer following the last to

occur of (i) acceptance for payment, (ii) final determination of the Proration Factor and (iii) deposit of the aggregate purchase price for the Shares.

In the event of proration, we will determine the Proration Factor and pay for those tendered Shares accepted for payment promptly after the Expiration Time.

All Shares tendered and not purchased, including Shares not purchased due to proration, will be returned or, in the case of Shares tendered by book-entry transfer, will be credited to the account maintained with the book-entry transfer facility by the participant who delivered the Shares, to the tendering stockholder at our expense promptly after the Expiration Time or termination of the Offer.

Under no circumstances will we pay interest on the Purchase Price, including by reason of any delay in making payment. In addition, if certain events occur, we may not be obligated to purchase Shares pursuant to the Offer.

We will pay all stock transfer taxes, if any, payable on the transfer to us of Shares purchased pursuant to the Offer. If, however, payment of the Purchase Price is to be made to, or (in the circumstances permitted by the Offer) if unpurchased Shares are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be deducted from the Purchase Price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption from payment of the stock transfer taxes, is submitted.

Any tendering stockholder that fails to complete fully, sign and return to the Depositary (or other applicable withholding agent) an IRS Form W-9 included as part of the Letter of Transmittal (or an IRS Form W-8BEN, W-8BEN-E, or other applicable IRS Form W-8, if the tendering stockholder is a Non-U.S. Holder), may be subject to required U.S. federal income tax backup withholding of 24% of the gross proceeds paid to the stockholder paid pursuant to the Offer. Non-U.S. Holders are urged to consult their tax advisors regarding the application of U.S. federal income tax withholding, including eligibility for a withholding tax reduction or exemption, and the procedures for obtaining a refund from the IRS.

6. Conditions of the Offer

The Offer is not conditioned on any minimum number of Shares being tendered. The Offer is, however, subject to other conditions, as described below.

Notwithstanding any other provision of the Offer, we will not be required to accept for payment, purchase or pay for any Shares tendered, and may terminate or amend the Offer or may postpone the acceptance for payment of, or the purchase of and the payment for Shares tendered, subject to Rule 13e-4(f) under the Exchange Act, if at any time on or after the commencement of the Offer and before or at the Expiration Time any of the following events occur (or shall have been reasonably determined by us to have occurred):

- there has been enacted, issued or promulgated any law or order by any government or governmental, regulatory or administrative agency, authority or tribunal of competent and applicable jurisdiction that:
 - makes illegal, or which has the effect of prohibiting or otherwise preventing, the making of the Offer or the acquisition by us of some or all of the Shares pursuant to the Offer; or
 - makes illegal the purchase of, or payment of, some or all of the Shares pursuant to the Offer or has the effect of prohibiting or preventing our ability to accept for payment or pay for some or all of the Shares;
- the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, whether or not mandatory; or
- any statute, rule, regulation, judgment, decree, injunction or order (preliminary, permanent or otherwise) has been enacted, entered, promulgated or enforced in respect of the Offer or us or any of our subsidiaries by any court, government or governmental agency or other regulatory or administrative authority of competent and applicable jurisdiction, domestic or foreign, which prevents or prohibits the consummation of the Offer.

The conditions referred to above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any condition, and may be waived by us, in whole or in part, at any time and from time to time in our reasonable discretion prior to the Expiration Time. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, and each such right will be deemed an ongoing right that may be asserted at any time prior to the Expiration Time; provided that the Company confirms its understanding that: (i) if a condition is triggered and the Company wishes to proceed with the Offer anyway, this decision constitutes a waiver of the triggered conditions, and depending on the materiality of the waived condition and the number of days remaining in the Offer, the Company may be required to extend the Offer and circulate new disclosure to holders in such circumstance and (ii) if an Offer condition is triggered by events that occur during the Offer period and before the Expiration Time, the Company will inform holders of how it intends to proceed promptly and will not wait until the end of the Offer period, unless the condition is one where satisfaction of the condition may be determined only upon the Expiration Time.

However, once the Offer has expired, then all of the conditions to the Offer must have been satisfied or waived. In certain circumstances, if we waive any of the conditions described above, we may be required to extend the Expiration Time. Any determination by us concerning the events described above will be final and binding on all persons participating in the Offer, subject to such Offer participants disputing such determination in a court of competent jurisdiction. Our right to terminate or amend the Offer or to postpone the acceptance for payment of, or the purchase of and the payment for Shares tendered if any of the above listed events occur (or shall have been reasonably determined by us to have occurred) at any time on or prior to the Expiration Time shall not be affected by any subsequent event regardless of whether such subsequent event would have otherwise resulted in the event having been “cured” or ceasing to exist.

7. No Listing of Shares; Dividends

Shares of the Common Stock are listed for not listed for trading any stock exchange and the Company does not intend to list its shares on any stock exchange.

The Company declared and paid a dividend of \$0.025 per Share in each quarter of 2023 and 2024.

8. Source and Amount of Funds

We expect to fund the purchase of Shares in the Offer and to pay the fees and expenses in connection with the Offer with available cash.

9. Certain Financial Information

The Company recommends that you review its audited financial statements as of and for the year ended December 31, 2023 and 2022, and unaudited results as of and for the year ended December 31, 2024 and 2023 pro forma for the Northern Brewer acquisition, which are available in the attached Exhibit A and incorporated by reference herein.

10. Material U.S. Federal Income Tax Consequences

The following summary describes the material U.S. federal income tax consequences as of the date hereof to U.S. Holders and Non-U.S. Holders (each as defined below) of an exchange of Shares for cash pursuant to the Offer. The summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements, all as in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion does not address all of the tax consequences that may be relevant to a particular stockholder or to stockholders subject to special treatment under U.S. federal income tax laws (including, without limitation, financial institutions, broker-dealers, insurance companies, cooperatives, U.S. expatriates, tax-exempt organizations, pension plans, regulated investment companies or real estate investment trusts, traders in securities that elect to apply a mark-to-market method of accounting, U.S. Holders (as defined below) whose “functional currency” is not the U.S. dollar, persons that acquired their Shares through the exercise of an employee stock option or otherwise as compensation, partnerships or other pass-through entities, or persons holding Shares through partnerships or other pass-through entities, or persons who hold Shares as part of a straddle, hedge, conversion, synthetic security, or constructive sale transaction for U.S. federal income tax purposes). In addition, this discussion does not address the consequences of the alternative minimum tax, the Medicare tax on certain investment income, or

any state, local or foreign tax consequences or any tax consequences (e.g., estate or gift tax) other than U.S. federal income tax consequences. This summary assumes that stockholders hold Shares as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment). No IRS ruling has been or will be sought regarding any matter discussed herein.

As used herein, the term “U.S. Holder” means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (y) it has a valid election in effect to be treated as a U.S. person. As used herein, the term “Non-U.S. Holder” means a beneficial owner of Shares that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes). If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partnership holding Shares and each partner in such partnership should consult its own tax advisor about the U.S. federal income tax consequences of a sale of Shares for cash pursuant to the Offer.

Each stockholder is advised to consult its own tax advisor as to the particular U.S. federal income tax consequences to such stockholder of tendering Shares pursuant to the Offer and the applicability and effect of any state, local or foreign tax laws and other tax consequences with respect to the Offer.

U.S. Federal Income Tax Treatment of U.S. Holders

Characterization of Sale of Shares Pursuant to the Offer. The sale of Shares by a U.S. Holder for cash pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes. The U.S. federal income tax consequences to a U.S. Holder may vary depending upon the U.S. Holder’s particular facts and circumstances. Under Section 302 of the Code, the sale of Shares by a U.S. Holder for cash pursuant to the Offer will be treated as a “sale or exchange” of Shares for U.S. federal income tax purposes, rather than as a distribution with respect to the Shares held by the tendering U.S. Holder, if the sale (i) results in a “complete termination” of the U.S. Holder’s equity interest in us under Section 302(b)(3) of the Code, (ii) is a “substantially disproportionate” redemption with respect to the U.S. Holder under Section 302(b)(2) of the Code, or (iii) is “not essentially equivalent to a dividend” with respect to the U.S. Holder under Section 302(b)(1) of the Code, each as described below (the “Section 302 Tests”).

The receipt of cash by a U.S. Holder will be a “complete termination” of the U.S. Holder’s equity interest in us if either (i) the U.S. Holder owns none of our Shares either actually or constructively immediately after the Shares are sold pursuant to the Offer, or (ii) the U.S. Holder actually owns none of our Shares immediately after the sale of Shares pursuant to the Offer and, with respect to Shares constructively owned by the U.S. Holder immediately after the sale, the U.S. Holder is eligible to waive, and effectively waives, constructive ownership of all such Shares under procedures described in Section 302(c) of the Code. U.S. Holders wishing to satisfy the “complete termination” test through waiver of attribution are particularly advised to consult their own tax advisors regarding the requirements, mechanics and desirability of such a waiver.

The receipt of cash by a U.S. Holder will be “substantially disproportionate” if the percentage of our outstanding Shares actually and constructively owned by the U.S. Holder immediately following the sale of Shares pursuant to the Offer is less than 80% of the percentage of our outstanding Shares actually and constructively owned by the U.S. Holder immediately before the sale of Shares pursuant to the Offer.

Even if the receipt of cash by a U.S. Holder fails to satisfy the “complete termination” test or the “substantially disproportionate” test, a U.S. Holder may nevertheless satisfy the “not essentially equivalent to a dividend” test if the U.S. Holder’s surrender of Shares pursuant to the Offer results in a “meaningful reduction” in the U.S. Holder’s equity interest in us. Whether the receipt of cash by a U.S. Holder will be “not essentially equivalent to a dividend” will depend upon the U.S. Holder’s particular facts and circumstances.

Special “constructive ownership” rules will apply in determining whether any of the Section 302 Tests has been satisfied. Except as described above with respect to certain waivers, a U.S. Holder must take into account not only the Shares that are actually owned by the U.S. Holder, but also Shares that are constructively owned by the U.S. Holder within the meaning of Section 318 of the Code. Very generally, a U.S. Holder may constructively own Shares actually

owned, and in some cases constructively owned, by certain members of the U.S. Holder's family and certain entities (such as corporations, partnerships, trusts and estates) in which the U.S. Holder actually or constructively has an equity interest, as well as Shares the U.S. Holder has an option to purchase.

Contemporaneous dispositions or acquisitions of Shares by a U.S. Holder or related individuals or entities may be deemed to be part of a single integrated transaction and may be taken into account in determining whether the Section 302 Tests have been satisfied. Each U.S. Holder should be aware that, because proration may occur in the Offer, even if all the Shares actually and constructively owned by a U.S. Holder are tendered pursuant to the Offer, fewer than all of these Shares may be purchased by us. Thus, proration may affect whether the surrender of Shares by a U.S. Holder pursuant to the Offer will meet any of the Section 302 Tests.

U.S. Holders are advised to consult their own tax advisors regarding the application of the Section 302 Tests to their particular circumstances, including the effect of the constructive ownership rules on their sale of Shares pursuant to the Offer. In addition, a U.S. Holder owning at least 5% of our outstanding Shares must comply with the reporting requirement of Treasury Regulation 1.302-2(b)(2).

Sale or Exchange Treatment. If any of the above three Section 302 Tests is satisfied, and the sale of the Shares is therefore treated as a "sale or exchange" for U.S. federal income tax purposes, the tendering U.S. Holder will recognize gain or loss equal to the difference, if any, between the amount of cash received by the U.S. Holder and such holder's tax basis in the Shares sold pursuant to the Offer. Generally, a U.S. Holder's tax basis in the Shares will be equal to the cost of the Shares to the U.S. Holder, reduced by any previous returns of capital. Any gain or loss will be capital gain or loss, and generally will be long-term capital gain or loss if the U.S. Holder's holding period for the Shares that were sold exceeds one year as of the date of the purchase by us pursuant to the Offer. Certain individual and other non-corporate U.S. Holders are eligible for reduced rates of U.S. federal income tax in respect of long-term capital gain. A U.S. Holder's ability to deduct capital losses may be limited. A U.S. Holder must calculate gain or loss separately for each block of Shares (generally, Shares acquired at the same cost in a single transaction) we purchase from the U.S. Holder under the Offer.

Distribution Treatment. If none of the Section 302 Tests is satisfied, the tendering U.S. Holder will be treated as having received a distribution by us with respect to the U.S. Holder's Shares in an amount equal to the cash received by such holder pursuant to the Offer. The distribution would be treated as a dividend to the extent that we have current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such a dividend would be includible in the U.S. Holder's gross income without a reduction for the U.S. Holder's tax basis of the Shares exchanged, and the tax basis of such exchanged Shares would be added to the tax basis of the U.S. Holder's remaining Shares, if any. Provided that minimum holding period and other requirements are met, and subject to certain limitations for hedged positions, dividend income with respect to non-corporate U.S. Holders generally will be eligible for reduced rates of U.S. federal income taxation. The amount of any distribution in excess of our current and accumulated earnings and profits would be treated as a return of capital to the U.S. Holder, with a corresponding reduction in such U.S. Holder's tax basis in its Shares until reduced to zero, and then as capital gain from the sale or exchange of the Shares.

If a sale of Shares for cash pursuant to the Offer by a corporate U.S. Holder is treated as a dividend, the corporate U.S. Holder may be (i) eligible for a dividends received deduction (subject to applicable limitations) and (ii) subject to the "extraordinary dividend" provisions of Section 1059 of the Code. Corporate U.S. Holders should consult their tax advisors regarding (i) whether a dividends received deduction will be available to them, and (ii) the application of Section 1059 of the Code to the disposition of their Shares.

If the Offer is over-subscribed, proration of tenders pursuant to the Offer will cause us to accept fewer Shares than are tendered. Therefore, a U.S. Holder can be given no assurance that a sufficient number of such U.S. Holder's Shares will be purchased pursuant to the Offer to ensure that such purchase will be treated as a sale or exchange, rather than a distribution, for U.S. federal income tax purposes pursuant to the rules discussed above.

U.S. Federal Income Tax Treatment of Non-U.S. Holders

Sale or Exchange Treatment. Gain realized by a Non-U.S. Holder on a sale of Shares for cash pursuant to the Offer generally will not be subject to U.S. federal income tax if the sale is treated as a "sale or exchange" pursuant to the Section 302 Tests described above under "U.S. Federal Income Tax Treatment of U.S. Holders" unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if

an income tax treaty applies, the gain is attributable to a U.S. permanent establishment maintained by such Non-U.S. Holder); (ii) in the case of gain realized by a Non-U.S. Holder who is an individual, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met; or (iii) our Shares constitute “United States real property interests” by reason of our status as a “United States real property holding corporation” (“USRPHC”) for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder’s holding period for our Shares.

A Non-U.S. Holder whose gain is described in clause (i) above generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder, as described above under “*U.S. Federal Income Tax Treatment of U.S. Holders*.” In addition, a Non-U.S. Holder that is a foreign corporation may be subject to a branch profits tax at a 30% rate, or lower rate specified in an applicable income tax treaty, on gain from the sale of Shares pursuant to the Offer that is effectively connected with the conduct of a trade or business within the United States.

A Non-U.S. Holder whose gain is described in clause (ii) above generally will be subject to U.S. federal income tax on such gain at a rate of 30% (or, if applicable, a lower treaty rate), which may be offset by certain U.S.-source capital losses, even though the Non-U.S. Holder is not considered a resident of the United States.

With respect to clause (iii) above, we believe that we are not currently a USRPHC. The determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other trade or business assets and our non-U.S. real property interests. If gain on the disposition of our Shares were subject to taxation because of clause (iii) above, the Non-U.S. Holder generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder.

Distribution Treatment. If the Non-U.S. Holder does not satisfy any of the Section 302 Tests described above, the full amount received by the Non-U.S. Holder with respect to the sale of Shares to us pursuant to the Offer will be treated as a distribution to the Non-U.S. Holder with respect to the Non-U.S. Holder’s Shares. The treatment for U.S. federal income tax purposes of such distribution as a dividend, tax-free return of capital, or gain from the sale of Shares will be determined in the manner described above under “*U.S. Federal Income Tax Treatment of U.S. Holders*.” Except as described below, to the extent that amounts received by a Non-U.S. Holder are treated as dividends, such dividends will be subject to U.S. federal withholding tax at a rate of 30%, or a lower rate specified in an applicable income tax treaty. To obtain a reduced rate of withholding under an income tax treaty, a Non-U.S. Holder must provide a properly executed IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute form) certifying, under penalties of perjury, that the Non-U.S. Holder is a non-U.S. person and the dividends are subject to a reduced rate of withholding under an applicable income tax treaty and that the Non-U.S. Holder is not subject to withholding under FATCA. Non-U.S. Holders should consult their tax advisors regarding their entitlement to, and the procedure for obtaining, benefits under an applicable income tax treaty.

Amounts treated as dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States are not subject to U.S. federal withholding tax but instead, unless an applicable tax treaty provides otherwise, generally are subject to U.S. federal income tax in the manner applicable to U.S. Holders, as described above. To claim exemption from U.S. federal withholding tax with respect to the Purchase Price of Shares treated as dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States, the Non-U.S. Holder must comply with applicable certification and disclosure requirements by providing a properly executed IRS Form W-8ECI (or a suitable substitute form) certifying, under penalties of perjury, that the Non-U.S. Holder is a non-U.S. person and the dividends are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and includible in that holder’s gross income. In addition, a Non-U.S. Holder that is a foreign corporation may be subject to a branch profits tax at a 30% rate, or a lower rate specified in an applicable income tax treaty, on dividends effectively connected with the conduct of a trade or business within the United States, subject to certain adjustments.

Withholding. The Depositary (or other applicable withholding agent) generally will withhold at a 30% rate on the gross proceeds of the Offer paid to a Non-U.S. Holder, unless the Non-U.S. Holder provides the Depositary (or other applicable withholding agent) with (i) an IRS Form W-8ECI (or suitable substitute form), claiming that the Offer proceeds are effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder or (ii) an IRS Form W-8BEN or W-8BEN-E, as appropriate (or a suitable substitute form) establishing that a reduced rate of or exemption from withholding is available under an applicable income tax treaty and that the Non-U.S. Holder is not subject to withholding under FATCA. *See Section 3.*

A Non-U.S. Holder may be eligible to obtain a refund or credit of all or a portion of any U.S. federal tax withheld if the Non-U.S. Holder meets any of the three Section 302 Tests described above under “*U.S. Federal Income Tax Treatment of U.S. Holders*” with respect to the sale of Shares pursuant to the Offer, or is able to establish that no tax or a reduced amount of tax is due, in either case, provided that an appropriate claim is timely filed with the IRS.

Non-U.S. Holders are advised to consult their own tax advisors regarding the application of U.S. federal withholding tax to the sale of Shares pursuant to the Offer, including the eligibility for withholding tax reductions or exemptions and refund procedures.

Information Reporting and Backup Withholding

See Section 3 with respect to information reporting requirements and the application of U.S. federal backup withholding.

Tax Considerations for Holders of Common Stock That Do Not Tender any Shares in the Offering

The Offer will have no U.S. federal income tax consequences to our stockholders that do not tender any Shares in the Offer.

The tax discussion set forth above is included for general information only and is not tax advice. You are urged to consult your tax advisor to determine the particular tax consequences to you of the Offer, including the applicability and effect of federal, state, local, foreign and other tax laws and treaties.

11. Extension of the Offer; Termination; Amendment

We expressly reserve the right, in our sole discretion, subject to applicable law, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 6 shall have occurred or shall be deemed by us to have occurred, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Shares by giving oral or written notice of such extension to the Depositary and making a public announcement of such extension; *provided, however*, in no event will we extend the Offer beyond July 18, 2025. We also expressly reserve the right, in our sole discretion, to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares upon the occurrence of any of the conditions specified in Section 6 hereof by giving oral or written notice of such termination or postponement to the Depositary and making a public announcement of such termination or postponement. Subject to compliance with applicable law, we further reserve the right, in our sole discretion, and regardless of whether any of the events set forth in Section 6 shall have occurred or shall be deemed by us to have occurred, to amend the Offer in any respect. Amendments to the Offer may be made at any time and from time to time effected by public announcement, such announcement, in the case of an extension, to be issued no later than 9:00 a.m., New York City time, on the business day immediately following the last previously scheduled or announced Expiration Time. Any public announcement made under the Offer will be disseminated promptly to stockholders in a manner reasonably designed to inform stockholders of such change. Without limiting the manner in which we may choose to make a public announcement, except as required by applicable law, we shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release.

If we materially change the terms of the Offer or the information concerning the Offer, we will extend the Offer if and to the extent required by applicable rule promulgated under the Exchange Act.

12. Miscellaneous

We are not aware of any jurisdiction where the making of the Offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the Offer or the acceptance of Shares pursuant thereto is not in compliance with applicable law, we will make a good faith effort to comply with the applicable law. Validly tendered Shares will be accepted from all holders, wherever located.

You should rely only on the information contained in this document or information to which we have referred you. We have not authorized any person to make any recommendation on behalf of us as to whether you should tender or refrain from tendering your Shares in the Offer or regarding how many Shares you should tender in

the Offer. We have not authorized any person to give any information or to make any representation in connection with the Offer other than those contained in this document or in the related Letter of Transmittal. If given or made, any recommendation or any such information or representation must not be relied upon as having been authorized by us, our Board, the Depositary or the Information Agent.

March 20, 2025

The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or his or her bank, broker, dealer, trust company or other nominee to the Depositary as follows:

The Depositary for the Offer is:

Equiniti Trust Company, LLC.

If delivering by mail, express mail, courier, or other expedited service:

Equiniti Trust Company, LLC
Shareowner Services
Voluntary Corporate Actions
1110 Centre Pointe Curve, Suite 101
Mendota Heights, Minnesota 55120

TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

Questions and requests for assistance may be directed to the Information Agent at its telephone number and location listed below. Requests for additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent at its telephone number and location listed below. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Collect: (212) 256-9073
Toll-Free: (866) 620-2536
E-mail: WCRS@dfking.com

Exhibit A
Financial Statements

**WESTERN CAPITAL RESOURCES, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023 AND 2022

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors, Audit Committee, and Management
Western Capital Resources, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Western Capital Resources, Inc. (a Delaware corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, consolidated shareholders' equity, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Capital Resources, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Capital Resources, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Capital Resources, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Western Capital Resources, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western Capital Resources, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Sadler Gibb & Assoc." The signature is written in a cursive, flowing style.

Draper, UT
May 1, 2024

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,403,429	\$ 39,061,001
Short-term investments	34,653,035	16,288,875
Loans receivable, net of allowance for credit losses of \$372,000 and \$522,000, respectively	2,234,824	2,184,676
Accounts receivable, net of allowance for credit losses of \$61,500 and \$30,500, respectively	1,954,908	1,218,071
Inventories, net of reserve of \$1,807,000 and \$1,498,000, respectively	12,291,682	14,855,032
Prepaid expenses and other	4,888,934	4,333,324
TOTAL CURRENT ASSETS	<u>77,426,812</u>	<u>77,940,979</u>
Restricted cash and cash equivalents	2,669,376	-
Property and equipment, net	24,391,154	17,081,064
Operating lease right-of-use assets	17,696,921	20,533,529
Intangible assets, net	12,555,523	12,844,542
Deferred income taxes	100,000	33,000
Other loans receivable	55,983	188,248
Other	594,667	3,288,738
Goodwill	<u>5,796,528</u>	<u>5,796,528</u>
TOTAL ASSETS	<u>\$ 141,286,964</u>	<u>\$ 137,706,628</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 11,671,006	\$ 13,272,447
Accrued payroll	4,017,353	3,985,286
Current portion operating lease liabilities	6,387,104	6,982,642
Other current liabilities	1,850,256	1,604,529
Income taxes payable	572,525	158,763
Line of Credit	846,960	462,837
Current portion long-term debt	1,251,312	1,259,229
Contract and other liabilities	1,774,880	901,106
TOTAL CURRENT LIABILITIES	<u>28,371,396</u>	<u>28,626,839</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	8,785,528	7,317,673
Other, net of current portion	2,860,289	170,863
Operating lease liabilities, net of current portion	11,667,486	13,886,620
TOTAL LONG-TERM LIABILITIES	<u>23,313,303</u>	<u>21,375,156</u>
TOTAL LIABILITIES	<u>51,684,699</u>	<u>50,001,995</u>
COMMITMENTS AND CONTINGENCIES (Note 23)	-	-

EQUITY

WESTERN SHAREHOLDERS' EQUITY

Common stock, \$0.0001 par value, 12,500,000 shares authorized, 9,100,887 and 9,108,053 issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	910	911
Additional paid-in capital	29,562,271	29,562,271
Retained earnings	65,827,017	56,158,931
Contra equity	(7,081,422)	-
TOTAL WESTERN SHAREHOLDERS' EQUITY	88,308,776	85,722,113
Noncontrolling interests	1,293,489	1,982,520
TOTAL EQUITY	89,602,265	87,704,633
TOTAL LIABILITIES AND EQUITY	\$ <u>141,286,964</u>	\$ <u>137,706,628</u>

See notes to consolidated financial statements

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

	Year ended December 31,	
	2023	2022
REVENUES		
Sales and associated fees	\$ 133,044,002	\$ 142,349,905
Arena revenues	6,084,321	356,362
Financing fees and interest	5,239,289	4,927,894
Other revenue	29,647,940	28,074,153
Total Revenues	<u>174,015,552</u>	<u>175,708,314</u>
COST OF REVENUES		
Cost of sales	70,985,408	79,602,066
Cost of arena revenues	1,570,434	48,235
Provisions for loans receivable credit losses	319,785	415,948
Total Cost of Revenues	<u>72,875,627</u>	<u>80,066,249</u>
GROSS PROFIT	101,139,925	95,642,065
OPERATING EXPENSES		
Salaries, wages and benefits	46,571,135	43,957,824
Occupancy	14,971,269	12,880,169
Advertising, marketing and development	8,401,759	8,068,827
Depreciation	1,741,314	1,610,966
Amortization	2,454,363	2,010,150
Other	12,053,377	11,343,966
Total Operating Expenses	<u>86,193,217</u>	<u>79,871,902</u>
OPERATING INCOME	14,946,708	15,770,163
OTHER INCOME (EXPENSES):		
Dividend and interest income	1,963,874	531,759
Interest expense	(599,399)	(196,279)
Total Other Income (Expenses)	<u>1,364,475</u>	<u>335,480</u>
INCOME BEFORE INCOME TAXES	16,311,183	16,105,643
PROVISION FOR INCOME TAX EXPENSE	3,407,150	3,341,000
NET INCOME	12,904,033	12,764,643
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,300,418)	(2,557,059)
NET INCOME ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS	\$ <u>10,603,615</u>	\$ <u>10,207,584</u>
EARNINGS PER SHARE ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS		
Basic and diluted	\$ 1.16	\$ 1.12
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and diluted	9,105,324	9,108,053

See notes to consolidated financial statements.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Western Capital Resources, Inc. Shareholders'

	Common Stock		Additional Paid-In Capital	Retained Earnings	Contra Equity	Noncontrolling Interests	Total
	Shares	Amount					
BALANCE – December 31, 2021	9,108,053	\$ 911	\$ 29,562,271	\$ 46,862,154	\$ -	\$ 1,732,315	\$ 78,157,651
Net income	-	-	-	10,207,584	-	2,557,059	12,764,643
Noncontrolling interest equity contribution	-	-	-	-	-	748,146	748,146
Distributions to noncontrolling interests	-	-	-	-	-	(3,055,000)	(3,055,000)
Dividends paid	-	-	-	(910,807)	-	-	(910,807)
BALANCE – December 31, 2022	9,108,053	911	29,562,271	56,158,931	-	1,982,520	87,704,633
Net income	-	-	-	10,603,615	-	2,300,418	12,904,033
Distributions to noncontrolling interests	-	-	-	-	-	(2,989,449)	(2,989,449)
Stock redemptions	(7,166)	(1)	-	(25,080)	-	-	(25,081)
Contra equity	-	-	-	-	(7,081,422)	-	(7,081,422)
Dividends paid	-	-	-	(910,449)	-	-	(910,449)
BALANCE – December 31, 2023	9,100,887	\$ 910	\$ 29,562,271	\$ 68,827,017	\$ (7,081,422)	\$ 1,293,489	\$ 89,602,265

See notes to consolidated financial statements.

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

	Year Ended December 31,	
	2023	2022
OPERATING ACTIVITIES		
Net Income	\$ 12,904,033	\$ 12,764,643
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,826,586	1,662,865
Amortization	2,454,363	2,010,150
Amortization of operating lease right-of-use assets	7,352,887	7,295,391
Deferred income taxes	(67,000)	324,000
Loss (gain) on disposal of assets	165,474	48,464
Accrued interest from investing activities	(278)	22,149
Changes in operating assets and liabilities:		
Loans receivable	(50,148)	(204,354)
Accounts receivable	(736,837)	171,031
Inventory	2,567,800	(170,339)
Prepaid expenses and other assets	2,327,394	(924,888)
Operating lease liabilities	(8,154,997)	(7,989,857)
Accounts payable and accrued expenses	(622,767)	722,305
Contract liabilities and other current liabilities	989,744	(307,897)
Net cash and cash equivalents provided by operating activities	<u>20,956,254</u>	<u>15,423,663</u>
INVESTING ACTIVITIES		
Purchases of investments	(64,193,823)	(80,796,736)
Proceeds from investments	45,829,663	78,968,623
Purchases of property and equipment	(685,664)	(532,847)
Acquisition of operating assets, net of cash acquired	(10,440,564)	(11,321,508)
Proceeds from the disposal of assets	22,084	108,000
Net cash and cash equivalents used in investing activities	<u>(29,468,304)</u>	<u>(13,574,468)</u>
FINANCING ACTIVITIES		
Advances (payments) on line-of-credit, net	346,583	(1,437,359)
Advances on notes payable – long-term	5,337,072	1,113,573
Payments on notes payable – long-term	(1,113,332)	(1,343,699)
Payments on other liabilities – long-term	(173,063)	(114,413)
Distributions to noncontrolling interests	(2,856,454)	(2,960,000)
Common stock redemptions	(25,081)	-
Payment of accrued common stock redemptions	-	(150,584)
Purchases of contra equity	(7,081,422)	
Payments of dividends	(910,449)	(910,807)
Net cash and cash equivalents used in financing activities	<u>(6,476,146)</u>	<u>(5,803,289)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,988,196)	(3,954,094)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>39,061,001</u>	<u>43,015,095</u>
End of year	<u>\$ 24,072,805</u>	<u>\$ 39,061,001</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

BALANCE SHEET PRESENTATION:

Cash and cash equivalents	\$ 21,403,429	\$ 39,061,001
Restricted cash and cash equivalents - NC	2,669,376	-
Cash and Cash Equivalents – End of Year	<u>\$ 24,072,805</u>	<u>\$ 39,061,001</u>
Income taxes paid	\$ 3,066,903	\$ 2,668,605
Interest paid	\$ 654,969	\$ 144,496
Noncash investing and financing activities:		
Right-of-use assets obtained, operating lease obligations incurred	\$ 5,151,281	\$ 7,230,380
Right-of-use asset acquired, operating lease obligations assumed in acquisition	\$ 138,391	\$ 4,348,698
Financed Equipment purchase	\$ -	\$ 419,700
Distribution to noncontrolling interests applied to loans receivable	\$ 132,995	\$ 95,000
Notes payable to sellers converted to other long-term liability	\$ 2,669,376	\$ -

See notes to consolidated financial statements

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

Basis of Presentation / Nature of Business

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

- Cellular Retail
 - PQH Wireless, Inc. (“PQH”) (100%) – operates 259 cellular retail stores as of December 31, 2023 (119 100% owned plus 140 through its controlled but less than 100% owned subsidiaries) (“South,” “Summit,” “Linked,” “Smart” and “Gateway”) 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 and the corporate offices of JPPA.
- 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.
- Ice Rinks
 - Ann Arbor Holdings, Inc. (“AAH”) (100%) – Operator of owned ice rink arena.
 - Lansing Ice Holdings LLC (“LIH”) (100%) – Operator of owned ice rink arena.
 - Hazel Park Ice Arena LLC (“HPIA”) (100%) – Operator of owned ice rink arena.
- Consumer Finance
 - Wyoming Financial Lenders, Inc. (“WFL”) (100%) – owns and operates “payday” stores (19 as of December 31, 2023) 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 (two as of December 31, 2023) in Nebraska providing collateralized non-recourse pawn loans and retail sales of merchandise obtained from forfeited pawn loans or purchased from customers.

On April 24, 2023, LIH purchased the assets, including the real estate, of the ice arena commonly known as the Suburban Ice East Lansing Arena for the purchase price of \$7,500,000. The arena located in East Lansing, Michigan, and later re-branded as Biggby Coffee Ice Cube – East Lansing, has two sheets of ice.

On June 29, 2023, HPIA purchased the assets, including the real estate, of the ice arena commonly known as the Viking Ice Arena for the purchase price of \$2,900,000. The arena located in Hazel Park, Michigan has two sheets of ice.

In June 2023, WCR acquired for \$7,081,422 a total of 36.3% of members’ interests in two limited liability companies (“WCR Investment LLCs”), whose sole assets other than cash are shares of WCR’s issued and outstanding stock. The share equivalent of WCR’s ownership interest in WCR Investment LLCs is 2,023,263 shares. Considering that the sole investment holdings of WCR Investment LLCs is WCR’s stock, that dividends paid by WCR and received by WCR Investment LLCs

will not be treated as investment income by WCR and it is WCR's intent to eventually retire the indirect holdings, the purchase of the members' interest will be treated as contra equity.

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 as "PQH," "South," "Summit," "Linked," "Smart," "Gateway," "JPPA," "JPPE," "SAI," "WFL," "EPI," "AAH," "LIH" or "HPIA") are references only to those companies.

Accounting Principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP)

Basis of Consolidation

The consolidated financial statements include the accounts of WCR, its wholly owned-subsiidiaries 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 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 and 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.

Revenue Recognition

The Company follows the provisions of ASC 606, Revenue from Contracts with Customers, as further disclosed later in this Note 1. Also refer to Notes 18, "Revenue," and 21, "Segment Information," for additional information, including the disaggregation of revenue by segment.

Revenue generated from short-term lending agreements in the Consumer Finance segment and from Company investments are recognized in accordance with ASC 825, Financial Instruments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Restricted Cash and Cash Equivalents

The Company considers all cash instruments, including all highly liquid investments with a maturity of three months or less at the time of purchase, reserved for a specific purpose and not available to the Company for general use as restricted cash and cash equivalents.

Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization

within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy is as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The Company's held to maturity securities are comprised of U.S Treasury zero coupon T-Bills.

Receivables and Loss Allowance

Cellular Retail

Receivables for noncash sales are recorded when possession of products is taken by the customer or services are completed, represent claims against third parties that will be settled in cash, include unsettled credit card charges, and are included in accounts receivable. The carrying value of accounts receivables, net of the allowance for credit losses, represents their estimated net realizable value.

Direct to Consumer

Receivables for noncash sales are recorded when orders are shipped, represent claims against third parties that will be settled in cash, include unsettled credit card charges and wholesales sales on terms, and are included in accounts receivable. The carrying value of accounts receivable is net of an allowance for credit losses. The allowance for credit losses represents an estimate of expected lifetime credit losses on the asset considering economic conditions and future economic trends. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Manufacturing

Receivables for noncash sales are recorded when orders are shipped, represent claims against third parties that will be settled in cash, include unsettled credit card charges and wholesales sales on terms, and are included in accounts receivable. The carrying value of accounts receivable is net of an allowance for credit losses. The allowance for credit losses represents an estimate of expected lifetime credit losses on the asset considering economic conditions and future economic trends. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Ice Arenas

Receivables for ice rentals or on-ice programming fees not paid in cash or prepaid are recorded upon the customer use of or ability to use the ice time provided to them, representing claims against third parties that will be or have been settled in cash, include unsettled credit card charges, and are included in accounts receivable. The carrying value of accounts receivable is net of an allowance for credit losses. The allowance for credit losses represents an estimate of expected lifetime credit losses on the asset considering economic conditions and future economic trends. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

Consumer Finance

Included in loans receivable are unpaid principal, interest and fee balances of payday, installment 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. All returned items are charged-off after 180 days, as the present value of future collections after that date is not expected to be significant. Loans are carried at cost plus accrued interest or fees less payments made and an allowance for credit losses.

We do not specifically reserve for any individual payday or installment loan. Instead, we aggregate loan types for purposes of estimating the allowance for credit losses using a methodology that estimates expected lifetime credit losses on the asset considering economic conditions and future economic trends. In addition, this methodology takes into account current and

expected collection patterns, recent trends noted in the portfolio and charge off patterns from loans that originated during the last 24 months, which assists management in estimating future recoveries. Credit losses for pawn loans are not recorded because the value of the collateral exceeds the loan amount.

Inventory

Cellular Retail

Inventory, consisting of phones and accessories, is stated at cost, determined on the specific identification and weighted-average cost basis, respectively.

Direct to Consumer

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

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.

Consumer Finance

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

Long-Lived Assets

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

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

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

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

Finite-lived intangible assets represent the fair values management assigned to assets acquired through business acquisitions, are amortized over periods of three to 15 years based on management's estimates of the useful life of the asset and are subject to impairment evaluations.

The Company assesses 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.

Operating Leases

The Company applies the provision of ASC 842, Leases, applicable to the recognition, presentation and disclosure of leases.

Operating lease payment terms may include fixed payment terms and variable payments. Fixed payment terms and variable payments that depend on an index (i.e., Consumer Price Index, or “CPI”) or rate are considered in the determination of the operating lease right-of-use assets and liabilities. Variable payments that do not depend on an index or rate are not included in the lease right-of-use assets and liabilities determination. Expenses related to leases with a lease term of one month or less are recognized as variable lease expense when incurred. Other lease payments terms may include lease and non-lease components together in fixed payment terms. Lease and non-lease components aggregated in fixed payment terms are treated entirely as lease components (election applies to the leased real property asset class). We estimate our incremental borrowing rate, which is defined as the interest rate we would pay to borrow on a collateralized basis, considering such factors as length of lease term and the risks of the economic environment in which the leased asset operates. A number of our lease agreements contain options to renew. The lease term used to calculate ROU assets and lease liabilities only includes renewal options that are deemed reasonably certain to be exercised.

Goodwill

We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination to goodwill. We base the fair value of identifiable intangible assets acquired in a business combination on valuations that use information and assumptions that a market participant would use, including assumptions for estimated revenue projections, growth rates, cash flows, discount rates, useful life, and other relevant assumptions. We test our goodwill for impairment annually as of October 1, or more frequently if events or changes in circumstances indicate potential impairment. The Company tests for goodwill impairment at the reporting unit level, which aligns with the Company’s segments. The Company performs a qualitative assessment to determine if a quantitative impairment test is necessary. The quantitative assessment considers whether the carrying amount of a reporting unit exceeds its fair value, in which case an impairment charge is recorded to the extent the reporting unit’s carrying value exceeds its fair value. The Company determined that quantitative impairment testing was not necessary in 2023.

Merchandise Credits and Gift Card Liabilities

Direct to Consumer

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

Advertising, Marketing and Development Costs

The Company expenses advertising costs as they are incurred, except for direct-response advertising, which is capitalized until distributed. Direct-response advertising consists primarily of Direct to Consumer catalog production, printing, and postage costs. There were no prepaid advertising costs as of December 31, 2023 and 2022.

Stock-based Compensation

The Company recognizes the fair value compensation cost relating to stock-based payment transactions in accordance with ASC 718, Stock Compensation. Under the provisions of ASC 718, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized over the employee’s requisite service period, which is generally the vesting period. The fair value of our stock options is estimated using a Black-Scholes option valuation model.

Income Taxes

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

Earnings Per Common Share

The Company computes basic earnings per common share in accordance with ASC 260, Earnings Per Share (“EPS”), 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 December 31, 2023, 65,000 of potential common shares equivalents from stock options were excluded from the diluted EPS calculations as their effect was anti-dilutive.

Fair Value of Financial Instruments

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

Recent Accounting Pronouncements

No 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 –

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 segment operations depend heavily upon the adequate supply of steel, engines and other components of raw materials. Our Direct to Consumer segment operations depend upon an adequate supply of, among other things, seeds and live plants. Our Cellular Retail operations depend upon an adequate supply of handsets, which in turn depend on an adequate supply of chips. 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.

Concentrations

The Company has demand deposits at financial institutions, often times in excess of the limit for insurance by the Federal Deposit Insurance Corporation. The Company had demand deposits in excess of insurance amounts of \$10.94 million and \$11.95 Million as of December 31, 2023 and 2022, respectively.

Loans receivable in the Consumer Finance segment are concentrated in the sub-prime market and geographically, primarily in the Midwest. For the year ended December 31, 2023 and 2022, the Consumer Finance segment had geographic economic and regulatory risk concentrations (shown as a percentage of the Consumer Finance segment’s revenue by state when 10% or more) as follows:

Consumer Finance Segment		
	2023 % of Revenues	2022 % of Revenues
North Dakota	36%	37%
Nebraska	23%	20%
Iowa	13%	17%
Wyoming	22%	21%

The Company’s Cellular Retail segment is an authorized retailer for Cricket Wireless. As an authorized retailer operating exclusively for a single carrier, the Company is subject to a number of concentrations, including revenues from a single brand, a single supplier for phones, multiple integrated operating system providers and select third party processors. The Company’s payable to the phone supplier represented 56% and 60% of Accounts Payable and Accrued Expenses as of December 31, 2023 and December 31, 2022, respectively.

Our Direct to Consumer subsidiary JPPA has an agreement with a third-party wholesale grower that is in effect until 2025. The grower has agreed to perform research for JPPA and maintain JPPA's research crop for product to be sold through 2025. In exchange, this grower/researcher (also a direct-to-consumer competitor) is allowed to sell certain Jackson & Perkins branded roses in their wholesale division.

3. 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:

	December 31, 2023	December 31, 2022
Cash and cash equivalents		
Operating accounts	\$ 17,641,868	\$ 18,007,954
Money Market – U.S. Treasury obligations	276,119	2,008,781
U.S. Treasury obligations	3,485,442	19,044,266
Restricted Money Market – U.S. Treasury obligations	2,669,376	-
<i>Subtotal</i>	<u>24,072,805</u>	<u>39,061,001</u>
Investments		
Certificates of deposit (12 month maturities, FDIC insured)	1,836,249	1,795,101
U.S. Treasury obligations (less than one year maturities)	32,816,786	14,493,774
<i>Subtotal</i>	<u>34,653,035</u>	<u>16,288,875</u>
TOTAL	<u>\$ 58,725,840</u>	<u>\$ 55,349,876</u>

Investments consisted of the following:

December 31, 2023						
	Level 1	Level 2	Level 3	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value
Certificates of Deposit	\$ -	\$ 1,836,249	\$ -	\$ 1,836,249	\$ -	\$ 1,836,249
U.S. Treasuries – Held to Maturity	<u>32,816,786</u>	<u>-</u>	<u>-</u>	<u>32,816,786</u>	<u>9,486</u>	<u>32,826,272</u>
	<u>\$ 32,816,786</u>	<u>\$ 1,836,249</u>	<u>\$ -</u>	<u>\$ 34,653,035</u>	<u>\$ 9,486</u>	<u>\$ 34,662,521</u>
December 31, 2022						
	Level 1	Level 2	Level 3	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value
Certificates of Deposit	\$ -	\$ 1,795,101	\$ -	\$ 1,795,101	\$ -	\$ 1,795,101
U.S. Treasuries – Held to Maturity	<u>14,493,774</u>	<u>-</u>	<u>-</u>	<u>14,493,774</u>	<u>854</u>	<u>14,494,628</u>
	<u>\$ 14,493,774</u>	<u>\$ 1,795,101</u>	<u>\$ -</u>	<u>\$ 16,288,875</u>	<u>\$ 854</u>	<u>\$ 16,289,729</u>

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

	2023	2022
Held-to-maturity	\$ 1,428,400	\$ 432,385
Other	<u>535,474</u>	<u>99,374</u>
	<u>\$ 1,963,874</u>	<u>\$ 531,759</u>

The Company is party to Security Agreement: Securities Account and Revolving Line of Credit Note. Pursuant to the agreements, \$4.50 million of U.S. Treasury holdings as of December 31, 2023 are held in an investment account as collateral for the line-of-credit.

The Company has deposited in aggregate \$2.35 million of cash across several different accounts at financial institutions as an accommodation to its majority stockholder, who 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.

4. Loans Receivable –

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

December 31, 2023			
	Payday	Pawn	Total
Current	\$ 1,868,805	\$ 286,273	\$ 2,155,078
1-30	105,651	-	105,651
31-60	73,704	-	73,704
61-90	68,377	-	68,377
91-120	62,958	-	62,958
121-150	68,805	-	68,805
151-180	72,251	-	72,251
	<u>2,320,551</u>	<u>286,273</u>	<u>2,606,824</u>
Less allowance for credit losses	<u>(372,000)</u>	<u>-</u>	<u>(372,000)</u>
	<u>\$ 1,948,551</u>	<u>\$ 286,273</u>	<u>\$ 2,234,824</u>

December 31, 2022			
	Payday	Pawn	Total
Current	\$ 1,843,675	\$ 276,788	\$ 2,120,463
1-30	135,328	-	135,328
31-60	93,737	-	93,737
61-90	88,939	-	88,939
91-120	89,109	-	89,109
121-150	95,156	-	95,156
151-180	83,944	-	83,944
	<u>2,429,888</u>	<u>276,788</u>	<u>2,706,676</u>
Less allowance for credit losses	<u>(522,000)</u>	<u>-</u>	<u>(522,000)</u>
	<u>\$ 1,907,888</u>	<u>\$ 276,788</u>	<u>\$ 2,184,676</u>

5. Allowance for Credit Losses on Loans Receivable –

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

	Year Ended December 31,	
	2023	2022
Allowance for credit losses on loans receivable, beginning of year	\$ 522,000	\$ 384,000
Provision for loans receivable credit losses (recoveries) charged to expense	319,785	415,948
Charge-offs, net	(469,785)	(277,948)
Allowance for credit losses on loans receivable, end of year	<u>\$ 372,000</u>	<u>\$ 522,000</u>

6. Accounts Receivable –

A breakdown of accounts receivables by segment is as follows:

December 31, 2023						
	Cellular Retail	Direct to Consumer	Manufacturing	Ice Rink Arena	Consumer Finance	Total
Accounts receivable	\$ 537,230	\$ 259,386	\$ 630,500	\$ 481,589	\$ 107,703	\$ 2,016,408
Less allowance for credit losses	-	(1,000)	(17,500)	(43,000)	-	(61,500)
Net accounts receivable	<u>\$ 537,230</u>	<u>\$ 258,386</u>	<u>\$ 613,500</u>	<u>\$ 438,589</u>	<u>\$ 107,037</u>	<u>\$ 1,954,908</u>

December 31, 2022

	Cellular Retail	Direct to Consumer	Manufacturing	Ice Rink Arena	Consumer Finance	Total
Accounts receivable	\$ 477,056	\$ 258,849	\$ 399,934	\$ 11,835	\$ 100,897	\$ 1,248,571
Less allowance for credit losses	-	(13,000)	(17,500)	-	-	(30,500)
Net accounts receivable	<u>\$ 477,056</u>	<u>\$ 245,849</u>	<u>\$ 382,434</u>	<u>\$ 11,835</u>	<u>\$ 100,897</u>	<u>\$ 1,218,071</u>

A portion of accounts receivable are unsettled credit card sales from the prior one to five business days. This makes up 43% and 57% of the net accounts receivable balance as of December 31, 2023 and December 31, 2022, respectively.

7. Inventory –

Inventories consisted of:

December 31, 2023

	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Reserve	Total
Raw materials	\$ -	\$ -	\$ 1,674,435	\$ -	\$ (301,000)	\$ 1,373,435
WIP	-	-	294,494	-	(22,000)	272,494
Finished goods	<u>4,905,580</u>	<u>4,138,531</u>	<u>2,279,095</u>	<u>806,547</u>	<u>(1,484,000)</u>	<u>10,645,53</u>
Total	<u>\$ 4,905,580</u>	<u>\$ 4,138,531</u>	<u>\$ 4,248,024</u>	<u>\$ 806,547</u>	<u>\$ (1,807,000)</u>	<u>\$ 12,291,682</u>
Allowance	\$ (1,083,000)	\$ (329,000)	\$ (358,000)	\$ (37,000)	\$ (1,807,000)	

December 31, 2022

	Cellular Retail	Direct to Consumer	Manufacturing	Consumer Finance	Reserve	Total
Raw materials	\$ -	\$ -	\$ 1,843,791	\$ -	\$ (307,000)	\$ 1,536,791
WIP	-	-	198,599	-	-	198,599
Finished goods	<u>5,894,819</u>	<u>4,871,933</u>	<u>2,621,824</u>	<u>922,066</u>	<u>(1,191,000)</u>	<u>13,119,642</u>
Total	<u>\$ 5,894,819</u>	<u>\$ 4,871,933</u>	<u>\$ 4,664,214</u>	<u>\$ 922,066</u>	<u>\$ (1,498,000)</u>	<u>\$ 14,855,032</u>
Allowance	\$ (650,000)	\$ (387,000)	\$ (424,000)	\$ (37,000)	\$ (1,498,000)	

As a result of changes in the market for certain Company products and the resulting deteriorating value, carrying amounts for those inventories were reduced by approximately \$1,807,000 and \$1,498,000 during the year ended December 31, 2023 and 2022, respectively. These inventory write-downs have been reflected in cost of goods sold in the statement of operations. Management believes that these reductions properly reflect inventory values, and no additional losses will be incurred upon disposition.

8. Property and Equipment –

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

	December 31, 2022	Acquisitions	Additions	Deletions	December 31, 2023
Property, equipment and sales floor	\$ 12,270,681	\$ 780,000	\$ 581,460	\$ (669,582)	\$ 12,962,559
Software	1,972,569	-	-	(63,608)	1,908,961
Building - owned	10,708,539	6,250,000	104,204	-	17,062,743
Land and land improvements	<u>3,570,000</u>	<u>1,565,000</u>	<u>-</u>	<u>-</u>	<u>5,135,000</u>
	<u>28,521,789</u>	<u>8,595,000</u>	<u>685,664</u>	<u>(733,190)</u>	<u>37,069,263</u>
Accumulated depreciation	<u>(11,440,725)</u>	<u>-</u>	<u>(1,826,586)</u>	<u>589,202</u>	<u>(12,678,109)</u>
	<u>\$ 17,081,064</u>				<u>\$ 24,391,154</u>

	<u>December 31, 2021</u>	<u>Acquisitions</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2022</u>
Property, equipment and sales floor	\$ 10,095,864	\$ 2,194,469	\$ 753,450	\$ (773,102)	\$ 12,270,681
Software	2,175,764	-	63,608	(266,803)	1,972,569
Building - owned	5,608,878	5,080,000	135,487	(115,826)	10,708,539
Land and land improvements	1,200,000	2,370,000	-	-	3,570,000
	<u>19,080,506</u>	<u>9,644,469</u>	<u>952,545</u>	<u>(1,155,731)</u>	<u>28,521,789</u>
Accumulated depreciation	<u>(10,774,465)</u>	<u>-</u>	<u>(1,662,865)</u>	<u>996,605</u>	<u>(11,440,725)</u>
	<u>\$ 8,306,041</u>			<u>\$</u>	<u>17,081,064</u>

Depreciation expense of \$86,058 and \$51,899 was included in Cost of Goods Sold in 2023 and 2022, respectively.

As of December 31, 2023, estimated future depreciation expense for property and equipment (in thousands) was as follows:

2024	\$ 1,747
2025	1,540
2026	1,407
2027	1,079
2028	881
Thereafter	<u>17,737</u>
	<u>\$ 24,391</u>

9. Leases –

The Company has many retail and office space lease agreements and insignificant equipment lease agreements which are accounted for as operating leases. The real property leases typically are for three- to five-year terms with many containing options for similar renewal periods. One lease, however, under our manufacturing segment, extends through March 2035.

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

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 8,187	\$ 8,084
Variable lease expense	<u>2,775</u>	<u>2,380</u>
Total lease expense	<u>\$ 10,962</u>	<u>\$ 10,464</u>

Other information related to operating leases as of December 31 was as follows:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term, in years	4.76	5.06
Weighted average discount rate	4.8%	4.0%

Future minimum lease payments under operating leases as of December 31, 2023 (in thousands) were as follows:

2023	\$ 7,109
2024	5,059
2025	3,151
2026	1,256
2027	660
Thereafter	<u>2,870</u>
Total minimum lease payments	20,105
Less: Imputed interest	<u>(2,050)</u>
Total present value of minimum lease payments	<u>\$ 18,055</u>

Current portion operating lease liabilities	\$	6,387
Non-Current operating lease liabilities		<u>11,668</u>
Total operating lease liabilities	\$	<u>18,055</u>

10. Goodwill and Intangible Assets –

During the fourth quarter of 2023, the Company completed the annual impairment assessments for goodwill and intangible assets, determining there was no impairment.

A rollforward of the carrying amount of goodwill is as follows:

	Cellular Retail Segment	Direct to Consumer Segment	Consumer Finance Segment	Total
Balance December 31, 2021				
Goodwill	\$ 5,765,284	\$ 31,244	\$ 7,559,063	\$ 13,355,591
Accumulated impairment losses	-	-	(7,559,063)	(7,559,063)
Goodwill, net of impairment losses	<u>5,765,284</u>	<u>31,244</u>	<u>-</u>	<u>5,796,528</u>
2022 Activity:				
Goodwill acquired during year	-	-	-	-
Impairment losses	-	-	-	-
Balance December 31, 2022				
Goodwill	5,765,284	31,244	7,559,063	13,355,591
Accumulated impairment losses	-	-	(7,559,063)	(7,559,063)
Goodwill, net of impairment losses	<u>5,765,284</u>	<u>31,244</u>	<u>-</u>	<u>5,796,528</u>
2023 Activity:				
Goodwill acquired during year	-	-	-	-
Impairment losses	-	-	-	-
Balance December 31, 2023				
Goodwill	5,765,284	31,244	7,559,063	13,355,591
Accumulated impairment losses	-	-	(7,559,063)	(7,559,063)
Goodwill, net of impairment losses	<u>\$ 5,765,284</u>	<u>\$ 31,244</u>	<u>\$ -</u>	<u>\$ 5,796,528</u>

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

	December 31, 2022	Acquisitions	Additions	Deletions	December 31, 2023
Customer relationships	\$ 18,661,918	\$ 2,305,000	\$ -	\$ (415,090)	\$ 20,551,828
Other	<u>1,415,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,415,287</u>
Amortizable Intangible assets	20,077,205	2,305,000	-	(415,090)	21,967,115
Less accumulated amortization	<u>(7,232,663)</u>	<u>-</u>	<u>(2,454,363)</u>	<u>275,434</u>	<u>(9,411,592)</u>
Net Amortizable Intangible Assets	12,844,542	2,305,000	(2,454,363)	(139,656)	12,555,523
Non-amortizable trademarks	-	-	-	-	-
Intangible Assets, net	<u>\$ 12,844,542</u>	<u>\$ 2,305,000</u>	<u>\$ (2,454,363)</u>	<u>\$ (139,656)</u>	<u>\$ 12,555,523</u>

	December 31, 2021	Acquisitions	Additions	Deletions	December 31, 2022
Customer relationships	\$ 12,136,254	\$ 6,525,664	\$ -	\$ -	\$ 18,661,918
Other	<u>242,660</u>	<u>1,172,627</u>	<u>-</u>	<u>-</u>	<u>1,415,287</u>
Amortizable Intangible assets	12,378,914	7,698,291	-	-	20,077,205
Less accumulated amortization	<u>(5,222,513)</u>	<u>-</u>	<u>(2,010,150)</u>	<u>-</u>	<u>(7,232,663)</u>
Net Amortizable Intangible Assets	7,156,401	7,698,291	(2,010,150)	-	12,844,542
Non-amortizable trademarks	-	-	-	-	-
Intangible Assets, net	<u>\$ 7,156,401</u>	<u>\$ 7,698,291</u>	<u>\$ (2,010,150)</u>	<u>\$ -</u>	<u>\$ 12,844,542</u>

As of December 31, 2023, estimated future amortization expense for the amortizable intangible assets (in thousands) is as follows:

2024	\$	2,442
2025		2,325
2026		1,969
2027		1,736
2028		1,179
Thereafter		2,905
	\$	<u>12,556</u>

11. Other Loans Receivable – Non-Current –

The Company has non-current loans receivable from noncontrolling interests. The loans include a 5% annual interest rate, have no prepayment penalties and the Company, at its option, has the right to apply non-tax related distributions to the outstanding balances. Outstanding balances as of December 31 2023 and 2022 were \$55,983 and 188,248 respectively.

12. Contract and Other Liabilities –

Contract and other liabilities consisted of the following:

	December 31,	
	2023	2022
Deferred financing fees	\$ 128,659	\$ 136,032
Customer deposits, merchandise credits and gift card liability	1,646,221	765,074
Total	<u>\$ 1,774,880</u>	<u>\$ 901,106</u>

13. Lines of Credit –

In May 2022, SAI entered into a Second Amended and Restated Credit Agreement (the “SAI Credit Agreement”) with Fifth Third Bank. The SAI Credit Agreement, as amended on April 5, 2023, expires April 30, 2024. The \$2.5 million revolving line-of-credit agreement bears interest at the one month SOFR plus 4.5% per annum (9.8428% as of December 31, 2023), is limited to an inventory and receivables borrowing base and has a minimum fixed charge coverage ratio covenant of 1.10 to 1.0 and various other customary covenants. The revolving loan, as amended, continues to be secured by substantially all assets of SAI. As of December 31, 2023, there was an \$0.89 million outstanding balance, including the commitment to settle outstanding checks, and \$1.61 million of unused potentially available credit.

In June 2023, JPPA entered into an Amended and Restated Credit Agreement (“JPPA Credit Agreement”) with Fifth Third Bank. The JPPA Credit Agreement expires June 15, 2024. The \$4 million revolving line-of-credit has an unused line fee of 0.25% per annum and bears interest at the one month SOFR + 2.25% per annum (7.59281% as of December 31, 2023). The JPPA Credit Agreement contains various customary covenants and is guaranteed by WCR. As of December 31, 2023, there was no outstanding balance on the line-of-credit and \$4 million of unused available credit.

In September 2023, PQH entered into a Credit Agreement (“PQH Credit Agreement”) with Wells Fargo Bank. The PQH Credit Agreement expires September 1, 2024. The \$4 million line-of-credit has an unused commitment fee of 0.25% per annum and bears interest at the daily simple SOFR + 2% per annum (7.31% as of December 31, 2023). The PQH Credit Agreement is collateralized by a securities account. The securities account is required to maintain a minimum \$4 million margin value of the collateral, margin value calculated as a stated percentage of collateral types. Short term U.S. Government obligations have a 90% margin value, resulting in \$4.45 million of short term investments serving as minimum collateral. The PQH Credit Agreement contains various customary covenants. As of December 31, 2023, there was no outstanding balance on the line-of-credit and \$4 million of unused available credit.

14. Notes Payable and Other Liabilities – Long Term –

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

	December 31,	
	2023	2022
Note Payable – Long Term		
Note payable – related party	\$ 1,750,000	\$ 2,000,000
Note payable – US Bank	310,910	404,839
Note payable – Fifth Third Bank	2,507,748	3,208,333
Note payable – Oxford Bank	5,314,169	-
Note payable – Gateway minority owner	171,550	217,465
Notes payable – Gateway sellers, ERC	-	2,609,729
Total	10,054,377	8,440,366
Less deferred financing costs	(74,510)	(32,612)
Less current maturities	(1,194,339)	(1,090,081)
Notes payable – long term, net of current maturities	\$ 8,785,528	\$ 7,317,673
Other Liabilities – Long Term		
American Express	\$ 154,167	\$ 204,167
Gateway Sellers – ERC Escrow	2,680,376	-
Various others	82,718	135,844
Total	2,917,261	340,011
Less current maturities	(56,972)	(169,148)
Notes payable – Long Term, Net of Current Maturities	\$ 2,860,289	\$ 170,863

Future minimum long-term principal & other payments are as follows:

Year 1	\$ 1,251,312
Year 2	2,938,204
Year 3	1,277,019
Year 4	1,856,406
Year 5	370,633
Thereafter	5,278,064
Total	\$ 12,971,638

Note Payable – Related Party

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 provided 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 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 WCR.

Note Payable – US Bank

SAI is party to a Loan Agreement dated January 7, 2022, with subsequent amendments, with US Bank. The note is payable over a term of 48 months with monthly payments of \$10,242, has a fixed interest rate of 7.98% and is secured by financed equipment.

Note Payable – Fifth Third Bank

Gateway is party to a Credit Agreement dated June 8, 2022, with Fifth Third Bank. The note is payable over a term of 60 months with monthly principal payments of \$58,333, together with interest, which is reset monthly, at the one month SOFR plus 2.25% (7.59281 % as of December 31, 2023), has a minimum fixed charge coverage ratio covenant of 1.10 to 1.0 and a maximum funded indebtedness to EBITDA ratio of 3.00 to 1.00. In addition to the financial covenants, the Credit Agreement contains various customary negative covenants. The loan is secured by substantially all assets of Gateway and PQH is a \$1 million limited guarantor.

Note Payable – Oxford Bank

In June 2023, AAH entered into a financing arrangement with Oxford Bank. The \$5,362,500 term loan bears interest at a 6.22% fixed rate per annum, with a ten-year term and 25-year amortization. The rate will be repriced on June 9, 2028 to the greater of 5% or 2.55% above the five (5) year FHLBC Advance Rate if AAH has not previously exercised its Interest Rate Reset Option. The loan is secured by the related Arena and its assets and requires \$35,580.01 monthly payments of principal and interest. The loan matures on June 5, 3033. The agreements contain a minimum debt service coverage ratio (before distributions) covenant of 1.2 to 1.0, a minimum debt service coverage ratio (after distributions) covenant of 1.0 to 1.0, measured on a 12-month basis on December 31st of each year, commencing with the fiscal year-end 2024 and various other customary covenants.

Note Payable – Gateway Minority Owner

Gateway is party to a Loan Agreement dated February 24, 2022 with its minority owner and seller of their partial interest in Gateway. The note is payable over a term of 60 months with monthly principal payments of \$4,892, has a fixed interest rate of 6.5% and is secured by physical assets of Gateway, but subordinated to the Note Payable – Fifth Third Bank.

Note Payable – ERC

Gateway was party to Limited Recourse, Unsecured Promissory Notes dated May 9, 2022 with the sellers of their interest in Gateway. The notes did not bear interest. Timing of payments and the amounts was to be determined based on receipt of payments of Employee Retention Credits (“Credits”) that were applied for by the sellers prior to the PQH 80% acquisition of Gateway in 2022. Credits collections in excess of \$1.6 Million, received prior to the second anniversary of the date of the notes, were payable within 15 business day of receipt, with a maximum payment of \$1 million. The balance of Credits collections received prior to the second anniversary of the notes were to be payable within 15 business days of the second anniversary of the notes. ERC receivable collections, if any, received between the second and fourth anniversary of the date of the notes, were to be payable within 15 business days of receipt with the payments limited to the principal of the notes less previous payments made.

The Credits were received in 2023 and sellers and Gateway agreed to modify the payout agreement, entering into an Employee Retention Credits Acknowledgement and Agreement and an Escrow Agreement (collectively the “ERC Agreements”) on May 16, 2023. Pursuant to the ERC Agreements, Gateway deposited \$2.6 million into an escrow account with US Bank where the escrow funds were invested in First American Treasury Obligations Fund Class Y Shares. The funding of the escrow account satisfied Gateway’s Note Payable – ERC indebtedness to sellers but remains a liability of Gateway until escrowed funds are dispersed. Escrowed funds and earning thereon will be subject to governmental agencies’ investigations or claims, if any, related to the credits received. Once the applicable standard statute of limitations for credits received has expired and there are no investigations or claims pending, the funds will be disbursed from escrow to sellers. Statutes of limitations for \$1.6 million of credits received will expire April 15, 2025 with the balance expiring April 15, 2027.

Other Liabilities – Long Term

Included with the acquisition of Gateway in 2022, was the assumption of liabilities, which included bankruptcy settlement agreements with American Express and various other creditors. Long term liabilities as of December 31, 2023 also includes Gateway’s liability to sellers for ERC credits received, as referenced in the previous paragraph.

15. Income Taxes –

The Company’s provision for income tax expense (benefit) was as follows for the year ended December 31:

	2023	2022
Current:		
Federal	\$ 2,866,000	\$ 2,405,000
State	<u>608,150</u>	<u>612,000</u>
	<u>3,474,150</u>	<u>3,017,000</u>
Deferred:		
Federal	(55,000)	258,000
State	<u>(12,000)</u>	<u>66,000</u>
	<u>(67,000)</u>	<u>324,000</u>
	<u>\$ 3,407,150</u>	<u>\$ 3,341,000</u>

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

	December 31,	
	2023	2022
Allowance for accounts and loans receivable	\$ 101,000	\$ 143,000
Inventory capitalization	52,000	59,000
Inventory reserve	405,000	322,000
Note receivable – other impairment allowance	24,000	24,000
Accrued expenses	644,000	645,000
Prepaid expense	(43,000)	(7,000)
Property and equipment	(1,194,000)	(1,055,000)
Goodwill and intangible assets	<u>111,000</u>	<u>(98,000)</u>
Net deferred income tax asset	<u>\$ 100,000</u>	<u>\$ 33,000</u>

Reconciliations from the statutory federal income tax rate to the effective income tax rate are as follows for the year ended December 31:

	2023	2022
Income tax expense using the statutory federal rate of 21%	\$ 3,425,000	\$ 3,383,000
State income taxes, net of federal benefit	550,000	628,000
Non-deductible meals and entertainment	15,000	-
Noncontrolling interests' passthrough income	(587,000)	(672,000)
Other	<u>4,150</u>	<u>2,000</u>
Income tax expense	<u>\$ 3,407,150</u>	<u>\$ 3,341,000</u>

It is the Company's practice to recognize penalties and/or interest related to income tax matters in interest expense. As of December 31, 2023 and December 31, 2022, the Company had an immaterial amount of accrued interest and penalties.

The Company is subject to income taxes in the U.S. federal jurisdiction and various U.S. states and local jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Company is subject to routine audits by taxing jurisdictions. Currently the Company has no federal or state audits in progress. Management believes the Company is no longer subject to income tax examinations for years prior to 2020.

16. Equity –

WCR 2015 Stock Incentive Plan

Effective February 6, 2015, the Board of Directors adopted the Company’s 2015 Stock Incentive Plan, allowing 100,000 options to be granted. As of December 31, 2023 and December 31, 2022, 65,000 options had been granted and 35,000 are available under the plan.

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

The 2015 Stock Incentive plan permits the granting of incentives in any one or a combination of the following forms:

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

The following table summarizes nonvested stock option awards outstanding as of December 31, 2023 and the changes for the year then ended:

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding and nonvested at December 31, 2022	-	\$ -		\$ -
Granted	-	-		-
Vested	-	-		-
Forfeited	-	-		-
Outstanding and nonvested at December 31, 2023	-	\$ -		\$ -
Exercisable at December 31, 2023 and December 31, 2022	65,000	\$ 6.00	1.11	\$ -

The vested options were granted on February 9, 2015 and have a contract life of ten years. As of December 31, 2023, there was no remaining unrecognized stock-based compensation expense.

17. Dividends –

Our Board of Directors declared the following dividends payable in 2023:

Date Declared	Record Date	Dividend Per Share	Payment Date	Dividend Paid
February 15, 2023	February 28, 2023	\$0.025	March 10, 2023	\$227,702
May 11, 2023	May 30, 2023	\$0.025	June 13, 2023	\$227,702
August 4, 2023	August 22, 2023	\$0.025	September 1, 2023	\$227,522
November 3, 2023	November 20, 2023	\$0.025	December 1, 2023	\$227,523

18. 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 in 2023 and 2022 was \$47.03 million and \$43.62 million, respectively.

Cellular Retail revenues are recognized per ASC 606 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 revenue, which included back-end compensation from Cricket Wireless, from Cellular Retail in 2023 and 2022 was \$78.3 million and \$84.5 million, respectively, and 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. Other revenue from Cellular Retail in 2023 and 2022 was \$29.3 million and \$27.7 million, respectively.

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 also 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. Merchandise revenue from Direct to Consumer in 2023 and 2022 was \$42.8 million and \$43.8 million, respectively.

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, reduced by variable consideration. Outbound freight charges billed to customers are an offset to outbound freight costs which is included in cost of sales. Variable consideration is comprised of estimated future warranty costs and volume rebates which are estimated based primarily on historical rates and sales levels. Merchandise revenue from Manufacturing in 2023 and 2022 was \$10.4 million and \$12.6 million, respectively.

Ice Rink Arena

Ice Rink Arena revenue is recognized per ASC 606 and consists of the following:

- Ice rental – revenue is earned through contracts with customers for rental of ice at contractual rates agreed upon by the customer. The Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer, for the use of Company’s facilities. Additional services provided, such as referees, scorekeepers and ice maintenance are not considered separate performance obligations. Revenue is recognized when facilities are used by the customer and amounts are contractually billable.
- Hockey revenue – revenue is earned from hockey players that play or practice at the arena. The teams and players pay a fixed fee at contractual rates agreed upon by the customers. The fees are recognized ratably over the term of the contract. Additional revenue is earned from ancillary programs and camps.

- Other – other revenue comes from tenant rental income and concession sales.
- Revenue from arena activities in 2023 and 2022 was \$6.08 million and \$0.21 million, respectively.

Consumer Finance

Consumer Finance revenues from merchandise sales are recognized per ASC 606 and consist 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. Merchandise revenue from Consumer Finance in 2023 and 2022 was \$1.5 and \$1.5 million, respectively.
- 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. Other revenue from Consumer Finance retail in 2023 and 2022 was \$0.4 and \$0.3 million, respectively.

Consumer finance revenue from loan fees and interest is recognized per ASC 825 and consists 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. Loan and interest fees from consumer finance in 2023 and 2022 was \$5.2 million and \$4.9 million, respectively.

See Note 21, "Segment Information," for disaggregation of revenue by segment.

19. Other Operating Expenses –

A breakout of other operating expenses is as follows for the year ended December 31:

	2023	2022
Bank and merchant processing fees	\$ 2,712,932	\$ 2,602,009
Collection costs	152,109	175,075
Insurance	1,142,279	985,008
Management and advisory fees	1,153,582	1,201,956
Professional fees and contracted services	2,329,304	1,892,576
Supplies	1,143,775	1,286,714
Loss on disposal	144,844	48,464
Other	3,274,552	3,152,164
	<u>\$ 12,053,377</u>	<u>\$ 11,343,966</u>

20. Acquisitions –

The following acquisitions have been accounted for under ASC 805:

2023 Ice Rink Arena

On April 24, 2023, the Company invested \$7.5 million for the acquisition of assets, acquiring the Suburban Ice East Lansing Arena located in East Lansing, Michigan. The 89,821 square feet arena has two ice sheets.

On June 29, 2023 the Company invested \$2.9 million for the acquisition of assets, acquiring the Viking Ice Arena located in Hazel Park, Michigan. The 69,000 square feet arena has two ice sheets.

2023 Cellular Retail Acquisition

On August 9, 2023, PQH acquired one Cricket Wireless retail store for \$0.2 million. On October 25, 2023, PQH and South each exchanged with another authorized Cricket Wireless retailer two stores for two stores. The fair value of the four stores received \$0.3 million.

2022 Ice Rink Arena

On November 22, 2022, the Company's newest segment, Ice Rink Arena, invested \$8.29 million in an acquisition of assets, acquiring the Ann Arbor Ice Cube arena.

2022 Cellular Retail Acquisition

On May 9, 2022, the Company's Cellular Retail segment invested \$2.99 million in a transaction to acquire an 80% interest in Gateway which operates 56 Cricket Wireless retail stores.

2022 Direct to Consumer Acquisition

On January 14, 2022, the Company's Direct to Consumer segment invested \$1.18 million in an acquisition of assets, acquiring the "Seed to Spoon" App. This is a garden planning App that makes growing food easier and provides an easy and direct path to purchasing seeds from our Park Seed business.

A summary of the fair value of assets acquired and liabilities assumed (in thousands) follows:

	2023	2022
Cash	\$ 1	\$ 1,133
Receivables	-	575
Inventory	5	773
Prepaid expenses and other current assets	68	220
Land, property and equipment	8,595	9,644
Intangible assets	2,305	7,698
Operating lease right-of-use assets	-	4,349
Other assets	-	2,870
Current liabilities	(130)	(2,561)
Notes payable	-	(6,695)
Operating lease liabilities	-	(4,349)
Other liabilities – noncurrent	(2)	(454)
Noncontrolling interest	-	(748)
	<u>\$ 10,842</u>	<u>\$ 12,455</u>

21. Segment Information –

The Company has grouped its operations into six segments – Cellular Retail, Direct to Consumer, Manufacturing, Ice Rink Arena, Consumer Finance and Corporate. The Cellular Retail segment is an authorized retailer for Cricket Wireless selling cellular phones and accessories, ancillary services and serving as a payment center for customers. The Direct to Consumer segment consists of a branded online and direct marketing distribution retailer with product offerings including 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 manufacturer of lawn and garden power equipment and emergency safety shelters selling products primarily under the Swisher brand name and also providing turn-key manufacturing services to third parties. The Ice Rink Arena segment owns and operate arenas. The Consumer Finance segment provides financial and ancillary services. The Corporate segment includes the parent company activities, inclusive of the acquisitions department and management of acquired subsidiaries.

Segment information related to the year ended December 31, 2023 and 2022 is as follows:

December 31, 2023
(in thousands)

	Cellular Retail	Direct to Consumer	Manufacturing	Ice Rink Arena	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 107,556	\$ 42,798	\$ 10,444	\$ 6,084	\$ 1,895	\$ 0	\$ 168,777
Fees and interest income	\$ -	\$ -	\$ -	\$ -	\$ 5,239	\$ -	\$ 5,239
Total revenue	\$ 107,556	\$ 42,798	\$ 10,444	\$ 6,084	\$ 7,134	\$ 0	\$ 174,016
Depreciation and amortization	\$ 2,824	\$ 637	\$ 4	\$ 726	\$ 5	\$ 0	\$ 4,196
Interest expense	\$ 239	\$ 51	\$ 118	\$ 191	\$ -	\$ -	\$ 599
Income tax expense (benefit)	\$ 1,799	\$ 1,269	\$ 13	\$ 105	\$ 263	\$ -42	\$ 3,407
Net income (loss)	\$ 7,364	\$ 4,154	\$ 46	\$ 292	\$ 846	\$ 202	\$ 12,904
Total segment assets	\$ 56,709	\$ 12,791	\$ 9,405	\$ 20,457	\$ 6,377	\$ 35,548	\$ 141,287
Expenditures for segmented assets	\$ 500	\$ 223	\$ 16	\$ 10,387	\$ 0	\$ 0	\$ 11,126

December 31, 2022
(in thousands)

	Cellular Retail	Direct to Consumer	Manufacturing	Ice Rink Arena	Consumer Finance	Corporate	Total
Revenue from external customers	\$ 112,242	\$ 43,782	\$ 12,575	\$ 356	\$ 1,825	\$ -	\$ 170,780
Fees and interest income	\$ -	\$ -	\$ -	\$ -	\$ 4,928	\$ -	\$ 4,982
Total revenue	\$ 112,242	\$ 43,782	\$ 12,575	\$ 356	\$ 6,753	\$ -	\$ 175,708
Depreciation and amortization	\$ 2,892	\$ 678	\$ 5	\$ 38	\$ 8	\$ -	\$ 3,621
Interest expense	\$ 112	\$ -	\$ 84	\$ -	\$ -	\$ -	\$ 196
Income tax expense (benefit)	\$ 1,855	\$ 1,328	\$ 224	\$ 13	\$ 257	\$ (336)	\$ 3,341
Net income (loss)	\$ 7,781	\$ 4,349	\$ 740	\$ 38	\$ 741	\$ (884)	\$ 12,765
Total segment assets	\$ 55,903	\$ 18,018	\$ 9,958	\$ 8,502	\$ 6,767	\$ 38,559	\$ 137,707
Expenditures for segmented assets	\$ 1,997	\$ 1,489	\$ 82	\$ 8,286	\$ -	\$ -	\$ 11,854

22. AAH Summary Balance Sheet and Income Statement –

A summary Balance Sheet and Income Statement for AAH as of and for the year ending December 31, 2023, provided pursuant to a covenant within the financing arrangement with Oxford Bank, follows:

	December 31, 2023
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,293,584
Accounts receivable, net of allowance for credit losses of \$43,000	212,163
Prepaid expenses and other	343,993
TOTAL CURRENT ASSETS	1,849,740
Property and equipment, net	7,624,092
Intangible assets, net	280,000
Other	5,012
TOTAL ASSETS	\$ 9,758,844

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts payable and other liabilities	\$	331,890
Current portion long-term debt		93,586
Contract and other liabilities		507,586
TOTAL CURRENT LIABILITIES		<u>933,062</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion		5,171,355
Deferred income taxes		214,000
TOTAL LONG-TERM LIABILITIES		<u>5,385,355</u>

TOTAL LIABILITIES		<u>6,318,417</u>
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TOTAL EQUITY		<u>3,440,427</u>
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TOTAL LIABILITIES AND EQUITY	\$	<u><u>9,758,844</u></u>
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For the Year Ended December 31, 2023

Arena Revenues	\$	4,306,643
Cost of Arena Revenues		<u>1,409,961</u>
Gross Profit		2,896,682

OPERATING EXPENSES

Salaries, wages and benefits		611,773
Occupancy		950,976
Depreciation		231,752
Amortization		70,000
Other		<u>297,151</u>
Total Operating Expenses		<u>2,161,652</u>

Operating Income		<u>735,030</u>
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Interest Expense		191,464
Provision for Income Tax Expense		<u>141,000</u>

Net Income	\$	<u><u>402,566</u></u>
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23. Commitments and Contingencies –

Employment Agreements

The Company was party to an employment agreement with its Chief Executive Officer, Mr. John Quandahl. The agreement ran from November 1, 2019 through November 2022. The agreement provided an annual base salary and eligibility for an annual performance-based cash bonus pool for management and contains customary non-solicitation and non-competition provisions as well as provisions for severance payments upon termination by the Company without cause or upon termination by Mr. Quandahl with good reason.

The Company has also entered into several employment agreements with certain members of subsidiary management. The terms of each agreement are different. However, some of these agreements include stipulated base salary and bonus potential. The agreements also contain customary non-solicitation and non-competition provisions as well as provisions for severance payments upon termination by the Company without cause.

Pursuant to the numerous employment agreements, bonuses of \$1.5 million and \$1.9 million were accrued for the year ended December 31, 2023 and 2022, respectively.

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.

24. Management and Advisory Agreement –

The Company is party to a Second Amended and Restated Management and Advisory Agreement dated November 1, 2017 with Blackstreet under which Blackstreet provides certain financial, managerial, strategic and operating advice and assistance to the Company. The agreement requires the Company to pay Blackstreet a fee in an amount equal to \$400,000 upon the closing of an acquisition in consideration for Blackstreet's referral to the Company of such acquisition opportunity, and Blackstreet's assistance in the performance of due diligence services relating thereto. The annual fees under the agreement equal the greater of (i) \$674,840 (subject to annual increases of five percent) or (ii) five percent of Western Capital's "EBITDA" as defined under the agreement. Finally, the agreement may only be terminated by mutual consent of the parties. Upon any termination, the Company shall pay a termination fee equal to three times the previous 12-month annual fee. The annual management and advisory fees related to the management and advisory agreement with Blackstreet for the year ended December 31, 2023 and 2022 were \$1,005,582 and \$1,053,956, respectively, and the balances due Blackstreet as of December 31, 2023 and 2022 were \$122,325 and \$218,390, respectively. Prior to the merger with SAI on January 8, 2021, SAI was also party to a Management and Advisory Agreement dated August 6, 2010, with Blackstreet. See Note 14, "Notes Payable and Other Liabilities – Long Term" for additional information.

25. Committees of the Board of Directors –

The Board of Directors has appointed Mr. Ellery Roberts to various committees of the Board. Annual Director and committee fees expense was \$42,000 and \$42,000 for the year ended December 31, 2023 and 2022, respectively.

26. Related Party Transactions –

Leases

The Company leased one property from an officer of the Company and another party under an operating lease during the year ended December 31, 2023 and 2022, requiring monthly lease payments of \$5,500.

On August 31, 2011, the Company entered into two operating leases for property owned by Ladary, LLC "Ladary"). Ladary, which acquired the two properties in foreclosure sales, is partially owned by the Chief Executive Officer and Chief Financial Officer of the Company, two current or past directors and one employee of the management company that manages the Company's largest shareholder. One lease, which replaced an earlier lease that the Company had entered into with the prior landlord, is currently month-to-month, requiring monthly lease payments of \$2,310, and is on terms and conditions substantially similar to those contained in the replaced lease. In 2018, Ladary sold the other property and acquired another in

which the Company had two existing leases in place. The leases that the Company had entered into with the prior landlord have five-year terms, with the current lease term expiring in 2025, has one five-year extension option available to the company and currently require aggregate monthly lease payments of \$7,141.

Annual rent expense to related parties for the retail locations for 2023 and 2022 was approximately \$179,000.

27. Earnings Per Share –

The following table shows a reconciliation of the numerators and denominators of basic and diluted earnings per share:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Numerators		
Net Income attributable to Western common shareholders	\$ <u>10,603,615</u>	\$ <u>10,207,584</u>
Denominators		
Weighted average number of common shares outstanding	<u>9,105,324</u>	<u>9,108,053</u>
Dilutive potential common shares - stock options (treasury method)	<u>-</u>	<u>-</u>
Denominator for diluted earnings per share	\$ <u>9,105,324</u>	\$ <u>9,108,053</u>
Basic earnings per share attributable to Western common shareholders	\$ <u>1.16</u>	\$ <u>1.12</u>
Diluted earnings per share attributable to Western common shareholders	\$ <u>1.16</u>	\$ <u>1.12</u>

28. Subsequent Events –

Dividend

Our Board of Directors declared the following dividends payable in 2024:

Date Declared	Record Date	Dividend Per Share	Payment Date
February 8, 2024	February 23, 2024	\$0.025	March 4, 2024

Members' Interests Purchase

In March 2024, WCR acquired an additional 14.752% of members' interests in WCR Investment LLCs and Swisher Investments LLC for \$3,495,157. The share equivalent of the Company's stock acquired is 822,390 shares.

Stock Redemptions

In 2024, through the date of this report, the Company repurchased 255,564 shares of our common stock for \$1.17 million.

Line-of-Credit

On April 26, 2024, SAI entered into a Second Loan Modification Agreement with Fifth Third Bank to, among various miscellaneous revisions, extend the lender's Commitment Termination Date to April 30, 2025, subject to acceleration terms.

Acquisitions

On February 1, 2024, we purchased the assets, including the real estate, of the ice arena commonly known as the Kensington Valley Ice House for the purchase price of \$6,000,000. The arena located in Brighton, Michigan has three sheets of ice.

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES

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WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED PRO FORMA BALANCE SHEETS (UNAUDITED)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,182,573	\$ 21,533,978
Restricted cash and cash equivalents (note 2)	1,652,403	-
Short-term investments	32,732,363	34,653,035
Receivables, net	3,907,897	4,562,342
Inventories, net	15,384,509	15,314,627
Prepaid expenses and other	5,191,206	5,190,900
TOTAL CURRENT ASSETS	<u>74,050,951</u>	<u>81,254,882</u>
Restricted cash and cash equivalents (note 2)	1,148,401	2,669,376
Property and equipment, net	31,467,095	24,614,562
Operating lease right-of-use assets	17,822,353	18,672,617
Deferred income taxes	162,000	100,000
Other	616,970	650,650
Intangible assets and goodwill, net	<u>18,002,167</u>	<u>18,352,051</u>
TOTAL ASSETS	<u>\$ 143,269,937</u>	<u>\$ 146,314,138</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 18,057,215	\$ 17,723,853
Note payable – revolver	4,579,721	846,960
Current portion operating lease liabilities	6,625,817	6,923,638
Income taxes payable	395,314	572,525
Current portion long-term debt	1,227,624	4,351,312
Other	6,644,745	5,250,784
TOTAL CURRENT LIABILITIES	<u>37,530,436</u>	<u>35,669,072</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	7,707,540	10,165,177
Operating lease liabilities, net of current portion	11,579,126	12,139,799
Other, net of current portion	1,209,267	2,836,324
TOTAL LONG-TERM LIABILITIES	<u>20,495,933</u>	<u>25,141,300</u>
TOTAL LIABILITIES	<u>58,026,369</u>	<u>60,810,372</u>
EQUITY		
Western shareholders' equity	83,832,706	84,210,277
Noncontrolling interests	<u>1,410,862</u>	<u>1,293,489</u>
TOTAL EQUITY	<u>85,243,568</u>	<u>85,503,766</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 143,269,937</u>	<u>\$ 146,314,138</u>

WESTERN CAPITAL RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED PRO FORMA STATEMENTS OF INCOME (UNAUDITED)

	Year Ended December 31, 2024	Year Ended December 31, 2023
REVENUES	\$ 188,603,479	\$ 199,319,717
COST OF REVENUES	<u>82,428,992</u>	<u>90,309,191</u>
GROSS PROFIT	106,174,487	109,010,526
OPERATING EXPENSES		
Salaries, wages and benefits	48,041,127	49,021,242
Occupancy	17,237,182	16,637,030
Advertising, marketing and development	11,200,919	11,220,042
Depreciation and amortization	4,831,713	4,806,771
Other	13,815,963	13,470,464
Total Operating Expenses	<u>95,126,904</u>	<u>95,155,549</u>
OPERATING INCOME	11,047,583	13,854,977
OTHER INCOME (EXPENSES)	<u>717,318</u>	<u>(2,822,346)</u>
INCOME BEFORE INCOME TAXES	11,764,901	11,032,631
PROVISION FOR INCOME TAX EXPENSE	<u>2,623,000</u>	<u>3,407,150</u>
NET INCOME	9,141,901	7,625,481
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(2,412,794)</u>	<u>(2,300,418)</u>
NET INCOME ATTRIBUTABLE TO WESTERN COMMON SHAREHOLDERS	<u>\$ 6,729,107</u>	<u>\$ 5,325,063</u>

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
OPERATING ACTIVITIES		
Net income	\$ 9,141,901	\$ 7,625,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,930,470	4,892,043
Amortization of operating lease right-of-use assets	7,138,841	7,716,635
Impairment of goodwill	-	3,728,895
Other	255,292	98,196
Changes in operating assets and liabilities:		
Receivable	654,445	(613,856)
Inventory	(69,882)	5,087,835
Prepaid expenses and other assets	95,080	2,458,642
Operating lease liabilities	(8,070,006)	(8,654,453)
Accounts payable and accrued expenses	(1,708,529)	(1,765,839)
Contract and other liabilities	2,246,919	568,295
Net cash and cash equivalents provided by operating activities	<u>14,614,531</u>	<u>21,141,874</u>
INVESTING ACTIVITIES		
Investments, net	1,920,672	(18,364,160)
Purchases of property and equipment	(609,472)	(804,389)
Acquisition of operating assets, net of cash acquired	(10,638,346)	(10,440,564)
Other	15,738	22,084
Net cash and cash equivalents used in investing activities	<u>(9,311,408)</u>	<u>(29,587,029)</u>
FINANCING ACTIVITIES		
Revolver	3,693,931	346,583
Long-term liabilities	(5,828,182)	2,814,331
Distributions to noncontrolling interests	(2,282,171)	(2,856,454)
Equity transactions (note 3)	(6,216,323)	(5,806,503)
Payments of dividends	(890,355)	(910,449)
Net cash and cash equivalents used in financing activities	<u>(11,523,100)</u>	<u>(6,412,492)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,219,977)	(14,857,647)
TOTAL CASH AND CASH EQUIVALENTS		
Beginning of period	24,203,354	39,061,001
End of period	<u>\$ 17,983,377</u>	<u>\$ 24,203,354</u>
BALANCE SHEET PRESENTATION:		
Cash and cash equivalents	\$ 15,182,573	\$ 21,533,978
Restricted cash and cash equivalents	1,652,403	-
Restricted cash and cash equivalents – NC	1,148,401	2,669,376
Total cash and cash equivalents	<u>\$ 17,983,377</u>	<u>\$ 24,203,354</u>

Note 1: In July 2024 a subsidiary of WCR in the Direct to Consumer Division acquired Northern Brewer LLC (“Northern Brewer”) from an affiliate. Northern Brewer was acquired for \$6.2 million in cash at closing plus transaction expenses and the assumption of certain past due liabilities and the lease obligation for Northern Brewer's then office and warehouse facility (the "Legacy Facility"). A fairness opinion was performed on the valuation of the transaction by an independent third party.

The acquisition has been accounted for as an entity under common control, and therefore the full results of Northern Brewer for fiscal years 2024 and 2023 have been included in the Company's Unaudited Pro Forma Consolidated Financial Statements. Northern Brewer Revenues and Net (Loss) included in the unaudited results for fiscal years 2024 and 2023 were \$14.8 million and (\$2.2 million) and \$25.3 million and (\$5.3 million), respectively. Northern Brewer fiscal year 2023 and 2024 results include a \$3.7 million goodwill impairment charge and a \$0.7 million expense for settling liabilities related to the Legacy Facility, respectively. In addition, the Company's Direct to Consumer segment incurred transaction and integration expenses of \$1.0 million during fiscal year 2024, related to this acquisition. The results of Northern Brewer are not included in the Company's 2023 audit as the transaction occurred after the audit was published.

Note 2: Restricted cash and cash equivalents relates to funds held in escrow to satisfy a liability to sellers of a majority owned subsidiary.

Note 3: Included in Equity Transactions are Western Capital Resources, Inc.'s. (the "Company" or “WCR”) investments in 2023 and 2024 of approximately \$7.1 million and \$3.7 million, respectively, to purchase interests in two entities (the “WCR Investment LLCs”), which in aggregate own approximately 63% of the Company's 8.8 million shares outstanding as of 12/31/24. The share equivalent of the Company's stock acquired indirectly through these transactions during 2023 and 2024 is approximately 2.0 million and 0.9 million, respectively. As of 12/31/24, the Company owns approximately 51% of the membership interests in the WCR Investment LLCs, but lacks control. Considering that the sole investment holdings of the WCR Investment LLCs is WCR's stock, that dividends paid by WCR and received by the WCR Investment LLCs will not be treated as investment income by WCR and it is WCR's intent to eventually retire the indirect holdings, the purchase of the members' interest is treated as contra equity.