

XPONENTIAL, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

XPONENTIAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Xponential, Inc.:

We have audited the accompanying consolidated balance sheets of Xponential, Inc. (a Delaware Corporation) and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xponential, Inc. and subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred losses from inception with an accumulated deficit of approximately \$10.2 million as of June 30, 2010. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A handwritten signature in cursive script, which appears to read 'Atalip, Aragati & Partners, LLP'.

Atlanta, Georgia

November 29, 2010

XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Data)

	As of June 30,	
	2010	2009
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 690	\$ 627
Investments - marketable securities	591	341
Accounts receivable	802	119
Pawn service charges receivable	647	584
Pawn loans receivable	5,886	5,308
Inventories	3,846	4,032
Prepaid expenses and other current assets	365	426
Total current assets	12,827	11,437
Property and equipment, net.	3,870	3,498
Investment in Capital Financial Holdings, Inc	2,065	2,427
Intangible assets, net of amortization of \$994 and \$790 as of June 30, 2010 and 2009, respectively	899	1,103
Other assets, net of amortization of \$-0- and \$140 as of June 30, 2010 and 2009, respectively	147	116
Total assets	\$ 19,808	\$ 18,581
<i>Liabilities and Stockholders' Equity (Deficit)</i>		
Current liabilities:		
Bank line of credit	\$ 4,669	\$ 3,442
Accounts payable and accrued expenses	506	390
Accrued payroll and payroll taxes	370	325
Deferred rent	8	1
Deferred revenues	318	319
Accrued interest	171	160
Cumulative preferred stock dividend payable (See Note 8)	294	126
Redeemable preferred stock – series A; subject to mandatory redemption; 1,250,000 shares authorized; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 per share; 1,071,636 shares issued as of June 30, 2010 and 2009; 671,620 shares outstanding as of June 30, 2010 and 2009 (See Note 8)	3,358	3,358
Total current liabilities	9,694	8,121
Long term liabilities:		
Deferred rent	105	74
Cumulative preferred stock dividend payable (See Note 8)	218	93
8% limited recourse convertible notes, net of discount of \$44 and \$64 as of June 30, 2010 and 2009, respectively	19,956	19,936
Total long term liabilities	20,279	20,103
Total liabilities	29,973	28,224
Commitments and contingencies (See Note 12)		
Stockholders' equity (deficit)		
Preferred stock - Series B; convertible, par value \$0.01; 500,050 shares authorized; 5% cumulative dividend, liquidation preference \$5.00 per share; 500,042 shares issued and outstanding at June 30, 2010 and 2009	5	5
Common stock \$0.01 par value; 10,000,000 shares authorized; 2,750,411 shares issued at June 30, 2010 and 2009	27	27
Treasury stock (65,500 shares, at cost at June 30, 2010 and 2009)	(47)	(47)
Additional paid-in capital	6,272	6,272
Accumulated deficit	(15,489)	(15,062)
Accumulated other comprehensive loss	(933)	(838)
Total stockholders' equity(deficit)	(10,165)	(9,643)
Total liabilities and stockholders' equity (deficit)	\$ 19,808	\$ 18,581

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In Thousands)

	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009
Revenues:		
Merchandise sales	\$ 21,606	\$ 19,028
Pawn service charges and related fee income	8,404	6,851
Other	25	18
Total revenues	<u>30,035</u>	<u>25,897</u>
Expenses:		
Cost of sales	13,204	11,851
Store operating expenses	10,364	8,953
Corporate administrative expenses	3,927	3,339
Depreciation and amortization	690	596
Total expenses	<u>28,185</u>	<u>24,739</u>
Operating income	1,850	1,158
Interest and dividend income	202	191
Interest expense	(2,344)	(2,287)
Gain (loss) on investments	5	(573)
Loss on disposition of assets	-	(10)
Store closing expense	<u>(13)</u>	<u>(1)</u>
Loss before provision for income taxes	(300)	(1,522)
Provision for income tax expense	<u>-</u>	<u>-</u>
Net loss	(300)	(1,522)
Series B preferred stock dividend requirement	<u>(127)</u>	<u>(127)</u>
Net loss allocable to common stockholders	<u>\$ (427)</u>	<u>\$ (1,649)</u>

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss
Years Ended June 30, 2010 and June 30, 2009
(In Thousands, Except Share Data)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balances at July 1, 2008.	500,042	\$ 5	2,637,173	\$ 26	\$ 6,253	\$ (13,413)	\$ (437)	\$ (40)	\$ (7,606)
Purchase of treasury stock	—	—	—	—	—	—	—	(7)	(7)
Sale of common stock	—	—	113,238	1	16	—	—	—	17
Stock based compensation	—	—	—	—	3	—	—	—	3
Preferred stock dividends paid	—	—	—	—	—	(34)	—	—	(34)
Preferred stock dividends accrued.	—	—	—	—	—	(93)	—	—	(93)
Net loss	—	—	—	—	—	(1,522)	—	—	(1,522)
Other comprehensive loss:									
Unrealized loss on investments.	—	—	—	—	—	—	(401)	—	(401)
Comprehensive loss	—	—	—	—	—	—	—	—	(1,923)
Balances at June 30, 2009	500,042	5	2,750,411	27	6,272	(15,062)	(838)	(47)	(9,643)
Preferred stock dividends accrued.	—	—	—	—	—	(127)	—	—	(127)
Net loss	—	—	—	—	—	(300)	—	—	(300)
Other comprehensive loss:									
Unrealized loss on investments.	—	—	—	—	—	—	(95)	—	(95)
Comprehensive loss	—	—	—	—	—	—	—	—	(395)
Balances at June 30, 2010	<u>500,042</u>	<u>\$ 5</u>	<u>2,750,411</u>	<u>\$ 27</u>	<u>\$ 6,272</u>	<u>\$ (15,489)</u>	<u>\$ (933)</u>	<u>\$ (47)</u>	<u>\$ (10,165)</u>

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In Thousands)

	<u>For the Year Ended June 30, 2010</u>	<u>For the Year Ended June 30, 2009</u>
Cash flows from operating activities:		
Net loss	\$ (300)	\$ (1,522)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	671	577
Non-cash compensation expense	-	3
Amortization of warrants	19	19
Amortization of loan origination fees and bond issuance costs	4	1
Accrued dividends payable	167	126
(Gain) loss on investments	(5)	583
Amortization of debt issuance costs	204	204
Changes in operating assets and liabilities:		
Accounts receivable	(683)	221
Pawn service charges receivable	(63)	(102)
Inventories	184	213
Prepaid expenses and other current assets	61	(148)
Change in total current liabilities	208	152
Net cash provided by operating activities	<u>467</u>	<u>327</u>
Cash flows from investing activities:		
Pawn loans made	(20,909)	(19,529)
Pawn loans repaid	9,808	8,510
Inventories acquired from loan forfeitures	10,523	10,095
Proceeds from sale of investments	22	8
Purchases of property and equipment	(1,042)	(745)
Purchase of other assets	(33)	-
Net cash used in investing activities	<u>(1,631)</u>	<u>(1,661)</u>
Cash flows from financing activities:		
Payments on line of credit	(19,330)	(16,679)
Proceeds on line of credit	20,557	17,769
Payments on notes payable	-	(175)
Proceeds from sale of common stock	-	17
Purchase of treasury stock	-	(7)
Dividends paid	-	(34)
Net cash provided by financing activities	<u>1,227</u>	<u>891</u>
Net increase (decrease) in cash and cash equivalents	63	(443)
Cash and cash equivalents at beginning of year	627	1,070
Cash and cash equivalents at end of year	<u>\$ 690</u>	<u>\$ 627</u>
Supplemental disclosures of cash flow information - cash paid for interest	<u>\$ 1,956</u>	<u>\$ 1,953</u>

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

(1) Organization and Business

Xponential, Inc. (“Xponential” or the “Company”) was incorporated in Delaware on January 13, 1994. The Company’s primary business plan is to invest in and acquire companies. On January 31, 2003, the Company formed a wholly-owned subsidiary, PawnMart, Inc., a Nevada corporation, and in June 2003 the Company transferred all assets and liabilities associated with the operations of its pawnshops to this subsidiary. PawnMart, Inc. is a specialty finance and retail enterprise principally engaged in establishing and operating stores that advance money secured by the pledge of tangible personal property, and buying and selling pre-owned merchandise. As of June 30, 2010, Xponential owned and operated 24 stores located in Georgia and North Carolina. In October 2003, the Company formed a wholly-owned subsidiary, Xponential Advisors, Inc., a Nevada corporation, to act as an advisor for other companies, including companies the Company may acquire. In February 2005, the Company formed a wholly-owned subsidiary, Xponential Real Estate Holdings, Inc., a Nevada corporation, to acquire real estate on which its pawnshops are located.

On July 9, 2001, Xponential filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the “Bankruptcy Court”). A Plan of Reorganization (the “Plan”) was confirmed by the Bankruptcy Court and became effective on May 31, 2002.

Xponential successfully emerged from bankruptcy on August 30, 2002, when it consummated a merger with C/M Holdings, Inc. (the “Merger”). Post reorganization, Xponential adopted fresh-start reporting and gave effect to its emergence from bankruptcy and consummation of the Plan on August 30, 2002. There was no reorganization value in excess of amounts allocated to identifiable assets.

On August 29, 2007, the Company submitted a Certification of Termination of Registration on Form 15 to the Securities and Exchange Commission (the “SEC”) for the purpose of deregistering its common stock and suspended Section 15(d) reporting obligations under the Securities Exchange Act of 1934, as amended. Upon filing the Form 15, the Company’s obligations to file certain reports with the SEC, including Forms 10-KSB, 10-QSB, and 8-K, were immediately suspended. The Company’s securities ceased trading on the OTC Bulletin Board. The Company’s common shares continue to trade on the Pink Sheets, LLC quotation system.

(2) Summary of Significant Accounting Policies

Accounting Standards Codification:

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States for periods ending after September 15, 2009. The FASB ASC incorporates all previously issued, authoritative accounting literature that comprise accounting principles generally accepted in the United States of America. Adoption of the FASB ASC had no effect on the Company’s financial position, results from operations, or cash flows.

(a) Basis of Presentation and Fiscal Years

The consolidated financial statements include the accounts of Xponential, Inc. and its wholly-owned subsidiaries, Xponential Advisors, Inc. (“Advisors”), PawnMart, Inc. (“PawnMart”) and Xponential Real Estate Holdings, Inc. (“Holdings”), collectively known as the “Company.” All intercompany transactions have been eliminated.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(2) Summary of Significant Accounting Policies (continued)

(b) Liquidity

The financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred net losses since its inception, with an accumulated deficit of approximately \$10.2 million as of June 30, 2010. Management's plans with regard to these matters include seeking additional financing arrangements. Although management continues to pursue this plan, there is no assurance that the Company will be successful in obtaining sufficient revenues from its products, financing or equity investments on terms acceptable to the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

(c) Cash and Cash Equivalents

The Company considers any highly-liquid investments with original maturities of three months or less to be cash equivalents.

(d) Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits.

The Company maintains cash balances at several financial institutions. The accounts are insured up to limits set by the Federal Deposit Insurance Corporation. From time to time, the Company's cash balance exceeds such limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash.

(e) Loans and Revenue Recognition

Pawn loans are generally made on the pledge of tangible personal property for one month, with an automatic extension period from ten to sixty days in accordance with statutory requirements except for loans on auto titles, which have shorter extension periods. Pawn service charges are accrued on a constant-yield-basis over the life of the loan on all pawn loans the Company deems collectible based on historical loan redemption statistics. If a loan is not repaid, the principal amount advanced on the loan, or the fair value of the collateral, if lower, exclusive of any uncollected pawn service charges, becomes the carrying value of the forfeited collateral (inventories), which is recovered through sale. As of June 30, 2010 and 2009, the allowance for doubtful accounts was \$0.

Pawn service charges receivable represent an amount equivalent to earned pawn service charges not collected as of June 30, 2010 and 2009, based on the Company's historical loan redemption.

Merchandise sales consist of direct sales of merchandise to customers. Sales are recognized when title and risk of loss have passed to the customer, which is generally at the point of sale.

Interim payments from customers on layaway sales are credited to deferred revenue and subsequently recorded as income during the period in which final payment is received.

(f) Investments

Investments consist of marketable debt and equity securities available for sale. Available for sale securities are measured at fair value, with net unrealized gains and losses reported in accumulated other comprehensive income (loss) as a component of stockholders' equity. Realized gains and losses on the sale of securities are based on the specific identification method. The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in the fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the consolidated statement of operations. At June 30, 2010 and 2009, the Company's investments were not considered to be impaired.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(2) Summary of Significant Accounting Policies (continued)

(g) Inventories

Inventories are stated at the lower of cost or market and represent merchandise acquired from forfeited loans, merchandise purchased directly from the public and merchandise purchased from vendors. The cost of inventories is determined on the specific identification method.

(h) Property and Equipment

Property and equipment are recorded at cost. Depreciation is determined on the straight-line method based on estimated useful lives of two to thirty one and one-half years for property and equipment. The costs of improvements on leased stores are capitalized as leasehold improvements and are amortized on the straight-line method over the shorter of the lease term or their estimated useful lives. The cost of buildings acquired and constructed is amortized over thirty one and one-half years. The cost of property retired or sold and the related accumulated depreciation is removed from the accounts, and any resulting gain or loss is recorded in the results of operations in the period retired.

The Company determines whether its property and equipment is impaired whenever events or circumstances indicate the carrying amount of its property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount to future undiscounted net cash flows expected to be generated. If the carrying amount exceeds its estimated future net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company did not recognize any impairment charges for the periods ended June 30, 2010 and 2009.

(i) Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation account is used to reduce the net deferred tax assets to amounts expected to be realized. When net operating loss carryforwards not previously recognized upon the emergence from bankruptcy are used to offset taxable income generated by the Company, it records income tax expense and a corresponding increase to additional paid-in capital.

Due to a required change in the applicable accounting standards, the Company adopted a new recognition threshold for income tax benefits arising from uncertain income tax positions effective January 1, 2009. Upon adoption of the new standard and in all subsequent periods, a tax benefit arising from an uncertain tax position can only be recognized for financial reporting purposes if, and to the extent that, the position is more likely than not to be sustained in an audit by the applicable taxing authority. Adoption of the new standard resulted in no change to the Company's financial statements. All tax positions taken by the Company remain subject to examination by the applicable taxing authority until such time as the statute of limitations has lapsed.

The Company is no longer subject to income tax examinations for calendar years prior to 2006.

(j) Advertising Costs

Advertising costs are expensed the first time advertising takes place. Advertising expense was approximately \$355,000 and \$398,000 for the fiscal years ended June 30, 2010 and 2009, respectively.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(2) Summary of Significant Accounting Policies (continued)

(k) Fair Values of Financial Instruments

Pawn loans are outstanding for a relatively short period of time, generally 90 days or less, depending on local regulations. The rate of finance and service charge is determined by regulatory guidelines and bears no valuation relationship to interest rate market movements. For these reasons, management believes that the fair value of pawn loans approximates their carrying value. The Company's revolving line of credit with FCC, LLC d/b/a First Capital bears interest at a variable rate that is frequently adjusted on the basis of market rate changes and is equal to rates available for debt with similar characteristics. Accordingly, management believes the carrying value of such debt approximates its fair value. The carrying value of the Company's long-term notes payable instrument is approximately \$19,956,000 and bears interest at a fixed rate of 8% per annum. Management believes this debt bears an interest rate equal to rates available for debt with similar characteristics and that the carrying value of the debt approximates its fair value. The Company's other financial instruments include cash, marketable securities, receivables, accounts payable and accrued expenses. The carrying amount of these financial instruments in the Company's consolidated balance sheets approximate fair value due to the short maturity of these instruments.

(l) Stock Based Compensation

The Company measures the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value of the Company's equity awards is estimated using an option pricing model. The cost of equity awards granted to employees is recognized over the applicable vesting period. The company did not grant any equity awards in 2010 or 2009.

(m) Segment Information

The Company defines each of its stores as operating segments; however, management has determined that all of its stores have similar economic characteristics and also meet the other criteria which permit the stores to be aggregated into one reportable segment. The Company defines its Investment, Management and Advisory Services as its other segment.

(n) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(2) **Summary of Significant Accounting Policies (continued)**

(o) **Fair Value of Assets and Liabilities**

The Company applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Assets itemized below were measured at fair value during the year ended June 30, 2010 and 2009 using the market and income approaches (in thousands.) The income approach was used for Level 3.

<u>As of June 30, 2010</u>	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments – Marketable Securities	\$ 591	\$ 591	\$ -	\$ -
Investment in Capital Financial Holdings, Inc.	2,065	133	-	1,932
Total Assets	\$ 2,656	\$ 724	\$ -	\$ 1,932

<u>As of June 30, 2009</u>	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments – Marketable Securities	\$ 341	\$ 341	\$ -	\$ -
Investment in Capital Financial Holdings, Inc.	2,427	366	-	2,061
Total Assets	\$ 2,768	\$ 707	\$ -	\$ 2,061

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(2) Summary of Significant Accounting Policies (continued)

(o) Fair Value of Assets and Liabilities (continued)

The table below presents a reconciliation for assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs	
	Investment in Capital Financial Holdings, Inc. Preferred Stock	Investment in Capital Financial Holdings Promissory Note
Balance at June 30, 2008	\$ 1,385	\$ 967
Total realized and unrealized losses:		
Included in earnings	-	-
Included in other comprehensive loss	(214)	(77)
Balance at June 30, 2009	1,171	890
Total realized and unrealized losses:		
Included in earnings	-	-
Included in other comprehensive loss	(90)	(39)
Balance at June 30, 2010	\$ 1,081	\$ 851

(3) Property and Equipment

Property and equipment consists of the following at June 30, 2010 and 2009, respectively (in thousands):

	Years of Useful life	June 30, 2010	June 30, 2009
Automobiles	2-3	\$ 114	\$ 84
Furniture and equipment	5-7	2,158	1,780
Leasehold improvements	3-10	2,068	1,524
Buildings	31.5	1,266	1,266
Land		605	605
Construction in progress		5	53
		6,216	5,312
Less: accumulated depreciation and amortization.		(2,346)	(1,814)
		\$ 3,870	\$ 3,498

Construction in progress consisted of renovations to retail stores and the purchase and installation of computer software at June 30, 2010 and 2009, respectively. Depreciation expense was \$671,000 and \$577,000, respectively, for the years ended June 30, 2010 and 2009.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(4) Intangible Assets

Intangible assets are summarized as follows at June 30, 2010 (in thousands):

Asset	Estimated Useful Life	Initial Valuation	Accumulated Amortization	Net Book Value
Bond Issuance Costs	10 Years	\$ 1,893	\$ (994)	\$ 899

Intangible assets are summarized as follows at June 30, 2009 (in thousands):

Asset	Estimated Useful Life	Initial Valuation	Accumulated Amortization	Net Book Value
Bond Issuance Costs	10 Years	\$ 1,893	\$ (790)	\$ 1,103
Loan Origination Fees	3 – 5 Years	143	(140)	3
		<u>\$ 2,036</u>	<u>\$ (930)</u>	<u>\$ 1,106</u>

The loan origination fees are fully amortized and written off as of June 30, 2010. In 2009, the loan origination fees were included in other assets. Amortization expense of \$207,000 and \$204,000 is included in interest expense for the years ended June 30, 2010 and 2009, respectively. Estimated amortization expense for the next five years is as follows (in thousands):

For the Year Ending June 30,	Amount
2011	\$ 204
2012	204
2013	204
2014	204
2015	83
	<u>\$ 899</u>

(5) Bank Line of Credit

PawnMart currently has a revolving credit facility (the “Bank Line of Credit”) with FCC, LLC, d/b/a First Capital, Kennesaw, Georgia (the “Lender”). The original agreement allowed for borrowings up to \$4,750,000 and matured on June 17, 2010. During fiscal 2010, PawnMart amended its Bank Line of Credit to provide for borrowings up to \$6 million and extended the maturity date to June 17, 2013. The Bank Line of Credit bears interest at 30 Day LIBOR rate plus 6.5% (6.85% at June 30, 2010). The Bank Line of Credit is an asset-based loan with advances thereunder based on PawnMart’s eligible accounts receivable and inventory. The Bank Line of Credit is collateralized by substantially all of the unencumbered assets of PawnMart and is guaranteed by the Company. The agreement requires PawnMart to deposit all store cash receipt deposits to a bank account held and owned by the Lender with PawnMart as the beneficiary. The Lender uses the funds in this account to advance and pay down the Bank Line of Credit. The Company is required to maintain certain financial ratios and comply with certain covenants, including a prohibition against paying cash dividends on its common stock, \$0.01 par value (the “Common Stock”), unless specifically approved by the Lender. Under the terms of the lending agreement, if default (as defined in the original Bank Line of Credit agreement) occurs and is continuing, the lender may unilaterally accelerate the maturity date and terminate the borrowing arrangement at any time without notice to the Company. At June 30, 2010 and 2009, an additional \$573,000 and \$808,000, respectively, was available to borrow pursuant to the available borrowing base, as defined in the Bank Line of Credit agreement. The Company was in compliance with the financial ratios under the Bank Line of Credit at June 30, 2010.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(6) Notes Payable

Notes payable consist of the following at June 30, 2010 and 2009, respectively (in thousands):

	June 30, 2010	June 30, 2009
Limited recourse secured convertible subordinated notes (the "Convertible Notes"), bearing interest at 8% per annum payable monthly, to mature December 31, 2014, collateralized by the common stock of PawnMart, net of discount of \$44 and \$64 at June 30, 2010 and 2009, respectively	\$ 19,956	\$ 19,936
Less: current maturities	-	-
Long term notes payable	\$ 19,956	\$ 19,936

As of June 30, 2006, the Company had completed the private placement of \$20,000,000 of the Convertible Notes. The Convertible Notes bear interest at a rate of 8% per annum, payable monthly, and mature in December 2014, and are collateralized by the common stock of PawnMart. The Company had guaranteed the payment of interest on the Convertible Notes through December 31, 2009. The original principal amount plus any accrued and unpaid interest on the Convertible Notes are convertible at any time by the holders into shares of the Company's common stock, based on a conversion price of \$10.00 per common share. The Convertible Notes are redeemable, in whole or in part, at the option of the Company at any time or upon the sale of PawnMart; provided, however, if the closing price per share of the common stock immediately prior to the redemption notice is less than \$15.00 per share, the Company will, in connection with such redemption, also issue to each holder of Convertible Notes a warrant to purchase that number of shares of common stock into which the Convertible Notes of such holder are convertible on the redemption date at an exercise price of \$10.00 per share exercisable on or before the fifth anniversary date of the redemption date and otherwise in the form attached to the Convertible Notes. The Convertible Notes are subordinated to the Company's current and future indebtedness including the Bank Line of Credit.

As of June 30, 2010 annual maturities of the outstanding long-term debt for each of the five years after June 30, 2010 are as follows (in thousands):

2011	\$	-
2012		-
2013		-
2014		-
2015		19,956
		\$ 19,956

(7) Income Taxes

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2010 and 2009 are presented below (in thousands):

	June 30, 2010	June 30, 2009
Deferred tax assets:		
Net operating loss carryforward	\$ 5,586	\$ 6,413
Capital loss carryforward	2,930	3,071
Property and equipment	112	(104)
Inventories	30	70
Intangible assets	19	40
Total gross deferred tax assets	8,677	9,490
Less valuation allowance	(8,677)	(9,490)
Net deferred tax assets	\$ —	\$ —

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(7) Income Taxes (continued)

The provision for income taxes differs from amounts determined by applying the expected federal statutory tax rate to income primarily from continuing operations before income taxes due to the effect of preferred dividends, state and local tax rates, and changes in tax valuation allowances. At June 30, 2010 and 2009, the Company has federal and state net operating loss carryforwards of approximately \$14,209,000 and \$11,036,000, respectively, which expire from 2013 to 2029, and a net capital loss carryforward of \$8,617,000, which expires from 2011 to 2013. During Fiscal 2003, the Company recognized income of approximately \$11,800,000 due to discharge of indebtedness in conjunction with the confirmation of the Company's bankruptcy Plan. A formal legal or tax opinion on the effects of the Company's bankruptcy proceedings on the survival of the net operating loss carryforwards, its future availability, or any limitation on the utilization of the net operating loss carryforwards has not been obtained by management. Deferred tax valuation allowances of \$8,677,000 and \$9,490,000 offset deferred tax assets at June 30, 2010 and 2009, respectively, based on management's determination that it is more likely than not that such amounts may not be subsequently realized.

(8) Equity

Under the Plan, the Company has the authority to issue a total of 12,500,000 shares of stock, consisting of 2,500,000 shares of Preferred Stock, par value \$0.01 per share (the "Preferred Stock") issuable in series ("Series"), and 10,000,000 shares of Common Stock. Of the Preferred Stock, 1,250,000 shares are designated and known as Series A Preferred Stock (the "Series A Preferred Stock") and 500,050 shares are designated and known as Series B Preferred Stock (the "Series B Preferred Stock"). The remaining shares of Preferred Stock may be issued from time to time in one or more Series. The Board of Directors is expressly authorized to provide for the issue of all or any of the remaining unissued and undesignated shares of the Preferred Stock in one or more Series, and to fix the number of shares and to determine or alter for each such Series, such powers, designations, preferences, and relative rights and limitations thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the General Corporation Law of the State of Delaware.

Issuance of Preferred Stock. The Company issued 1,071,636 shares of Series A Preferred Stock and 500,042 shares of Series B Preferred Stock to the stockholders of C/M Holdings, Inc. pursuant to the Merger. As of June 30, 2010 and 2009, 400,016 shares of Series A Preferred Stock have been redeemed. The preferences, rights and voting powers (and the qualifications, limitations, or restrictions thereof) of the Series A Preferred Stock and the Series B Preferred Stock are as follows:

Dividends. Holders of the Series A Preferred Stock and Series B Preferred Stock are each entitled to receive an annual cumulative cash dividend of \$0.25 per share, payable quarterly in arrears. In December 2008, the Company's Board of Directors determined that payment of dividends to the holders of Series A and Series B Preferred Stock would be suspended due to insufficient capital and concerns about liquidity. The Company did not pay dividends to the holders of Series A Preferred Stock and Series B Preferred Stock, respectively, for the year ended June 30, 2010 and June 30, 2009. Unpaid dividends accrue at a rate of 5.0% per share, but will not be paid until declared by the Board of Directors when it is determined the Company has sufficient capital to pay the dividends. The Company accrued \$512,000 and \$219,000 for unpaid dividends to the holders of Series A Preferred Stock and Series B Preferred Stock for June 30, 2010 and June 30, 2009, respectively. The holders of Common Stock are entitled to receive such dividends, payable in cash or otherwise, as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Company that are legally available, provided that no dividends shall be declared or paid on the Common Stock if accrued dividends on the Series A Preferred Stock or Series B Preferred Stock, as the case may be, have not been paid. The Company currently does not anticipate declaring and paying any cash dividends on the Common Stock.

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June 30, 2010 and 2009

(8) Equity (continued)

Redemption. The Company was redeeming, on a pro rata basis, 100,000 shares of Series A Preferred Stock on April 30, 2005, and on each anniversary date thereafter until April 30, 2010, when the Company was required to redeem the balance of the shares of Series A Preferred Stock then outstanding, at the rate of \$5.00 per share plus all accumulated but unpaid dividends thereon. Through June 30, 2010, 400,016 shares were redeemed for \$2,000,080. In December 2008, the Company's Board of Directors determined that redemption of additional shares of Series A Preferred Stock would be suspended due to insufficient capital and concerns about liquidity. The Company has the right, but not the obligation, to redeem, on a pro rata basis, the Series B Preferred Stock at any time after April 30, 2009, at the rate of \$5.00 per share plus all accumulated but unpaid dividends thereon.

Conversion. The holders of Series A Preferred Stock have no conversion rights. The holders of the Series B Preferred Stock have the right, at any time, and on or before April 30, 2009, to convert each share of Series B Preferred Stock into such number of shares of common stock determined by dividing \$5.00 by the conversion price then in effect. The initial conversion price will be approximately \$1.4535 per share but is subject to anti-dilutive adjustment. The holders of Series B Preferred Stock have the right to convert the Series B Preferred Stock into approximately 45% of the issued and outstanding shares of common stock. As of June 30, 2010 and 2009 no series B were converted into common stock of the Company.

Liquidation Preference. In the event of the liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the assets of the Company available for distribution shall be distributed in the following order of preference: to the holders of Series A Preferred Stock, in an amount equal to \$5.00 per share (as such dollar amount may be adjusted for stock splits, combinations, reclassifications and the like with respect to the Series A Preferred Stock) plus all accumulated but unpaid dividends thereon; then to the holders of Series B Preferred Stock, in an amount equal to \$5.00 per share (as such dollar amount may be adjusted for stock splits, combinations, reclassifications and the like with respect to the Series B Preferred Stock) plus all accumulated but unpaid dividends thereon; and then to the holders of the common stock.

Voting. The holders of Series A Preferred Stock have no voting rights except as required by law. Except for the election of the members of the Board of Directors of the Company, each share of Series B preferred stock entitles the holder thereof to 3.44 votes with respect to all matters upon which holders of common stock have the right to vote. Such votes are counted together with the votes of the holders of the common stock and not separately as a class except as otherwise provided with respect to the election of directors. The holders of common stock have one vote in respect of each share of common stock held by such stockholder for all matters submitted to a vote of stockholders of the Company. Cumulative voting is not permitted. The Board of Directors consists of seven members. The holders of a plurality of the shares of Series B Preferred Stock, voting as a class, are entitled to elect four members of the Board of Directors, and the holders of a plurality of the shares of common stock, voting as a class, are entitled to elect three members of the Board of Directors.

Issuance of Common Stock. As part of the Plan, the Company issued 2,079,948 shares of common stock to the creditors in the bankruptcy, which following the Merger, represents approximately 55% of the issued and outstanding shares of common stock of the Company, after giving effect to the conversion of all of the Series B Preferred Stock issued to the shareholders of C/M Holdings, Inc. pursuant to the Merger.

During fiscal 2010, the Company (1) received no net proceeds from the sale of common stock upon exercise of stock options granted pursuant to the Company's Stock Option Plan (as defined in note 9) and (2) received no proceeds from the sale of common stock to current and former employees pursuant to the Company's Incentive Plan (as defined in Note 9).

During fiscal 2009, the Company (1) received no net proceeds from the sale of common stock upon exercise of stock options granted pursuant to the Company's 2003 Stock Option Plan and (2) received \$20,000 in net proceeds from the sale of 113,238 shares of Common Stock to current and former employees pursuant to the Company's 2005 Stock Purchase Plan.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(8) Equity (continued)

Treasury Stock. The Company purchased no shares of common stock during 2010. The Company purchased 40,500 shares at a price of \$0.15 per common share for a total of \$7,000 during 2009.

(9) Stock Option Plan, Stock Incentive Plan, Stock Purchase Plan and Warrants to Purchase Common Stock

The Company adopted its 2003 Stock Option Plan (“Stock Option Plan”) effective January 1, 2003. Under the Stock Option Plan, stock options have been awarded to directors, officers and employees. These stock options vest either immediately or over a period up to two years from the date of grant and expire ten years thereafter. The Company recognized \$-0- of compensation expense for options granted for the years ended June 30, 2010 and 2009.

The following table summarizes the stock option activity of the Company from the time it emerged from bankruptcy:

	<u>Options Outstanding</u>		Weighted average remaining contractual life
	<u>Number of Underlying Shares</u>	<u>Exercise Price</u>	
Outstanding at June 30, 2008	300,000	\$ 1.45	5.3 years
Granted	—	—	
Exercised	—	—	
Forfeited/Cancelled	—	—	
Outstanding at June 30, 2009	<u>300,000</u>	<u>\$ 1.45</u>	5.3 years
Granted	—	—	
Exercised	—	—	
Forfeited/Cancelled	—	—	
Outstanding at June 30, 2010	<u>300,000</u>	<u>\$ 1.45</u>	5.3 years
Exercisable at June 30, 2010	<u>300,000</u>	<u>\$ 1.45</u>	
Exercisable at June 30, 2009	<u>300,000</u>	<u>\$ 1.45</u>	

There were no options granted during 2010 and 2009 for shares of the Company’s common stock.

The Company adopted its 2003 Stock Incentive Plan (the “Incentive Plan”) effective January 1, 2003. A total of 325,000 shares of common stock were reserved under the Incentive Plan. The Incentive Plan provides an opportunity to employees of the Company to purchase common shares directly from the Company through payroll deductions. As of June 30, 2010 and 2009, 154,363 shares have been issued under the Incentive Plan.

The Company adopted its 2005 Stock Purchase Plan (the “Stock Purchase Plan”) effective May 1, 2005. A total of 250,000 shares of common stock are reserved for issuance under the Stock Purchase Plan. The Stock Purchase Plan allows employees and directors to purchase common stock at a discount of 15% to the fair market price. The Company recognized \$-0- and \$3,000 in compensation expense during 2010 and 2009, respectively, for common stock purchases pursuant to the Stock Purchase Plan. As of June 30, 2010 and 2009, 250,000 shares have been issued under the Stock Purchase Plan.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(9) Stock Option Plan, Stock Incentive Plan, Stock Purchase Plan and Warrants to Purchase Common Stock (continued)

The 200,000 warrants issued in connection with the Convertible Notes allow the holder to purchase one share of the Company's common stock at \$11.00 per share and are valued at \$0.62 each, for a total of \$124,000, which is reflected as a discount on the convertible notes and an increase in the Company's additional paid-in capital. The Company used the Black-Sholes option pricing model to determine the fair value of all warrants issued. Implementation of the Black-Sholes option pricing model requires the Company to make certain assumptions, including expected volatility, risk-free interest rate, expected dividend yield and expected life of the options. The Company utilized assumptions that it believed to be most appropriate at the time of the valuation, which include the following assumptions: risk-free rate of 4.40%, no dividend yield, 52.1% volatility in the stock price, and weighted average expected lives of 84 months at the time of issuance.

(10) Investments

During 2010 and 2009, the Company sold bond investments with a cost basis of \$17,000 and \$18,000 for \$22,000 and \$8,000, respectively; recognizing a gain on sale of \$5,000 and a loss on sale of \$10,000, respectively. Management determined that the value of certain bond investments were permanently impaired and recognized an impairment loss of \$-0- and \$563,000 for the years ended June 30, 2010 and 2009, respectively.

As of June 30, 2010 and 2009, the Company's investments consisted of (in thousands):

<u>As of June 30, 2010</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Realized Gain (Loss)</u>	<u>Market Value</u>
Bonds, maturing in:				
2011.....	\$ -	\$ -	\$ -	\$ -
2012.....	-	-	-	-
2013.....	215	201	-	416
Thereafter	165	10	-	175
Total	<u>\$ 380</u>	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 591</u>

<u>As of June 30, 2009</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Realized Gain (Loss)</u>	<u>Market Value</u>
Bonds, maturing in:				
2010.....	\$ -	\$ -	\$ -	\$ -
2011.....	-	-	-	-
2012.....	-	-	-	-
Thereafter	960	(56)	(563)	341
Total	<u>\$ 960</u>	<u>\$ (56)</u>	<u>\$ (563)</u>	<u>\$ 341</u>

(11) Investments in Capital Financial Holdings, Inc.

The Company reported its investment in the common stock of Capital Financial Holdings, Inc. ("CFH") at market value of \$133,000 and \$366,000 as of June 30, 2010 and 2009, respectively. The Company owned 12.13% of the common stock of CFH as of June 30, 2010 and 2009, respectively, and accounts for this investment as a non-current asset using the cost method.

In October 2006, PawnMart purchased 3,050,000 Series A Convertible Preferred Shares of CFH (the "Preferred Shares"), for a total of \$1,525,000, which shares are convertible into 3,050,000 shares of common stock of CFH.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2010 and 2009

(11) Investments in Capital Financial Holdings, Inc. (continued)

In October 2006, PawnMart purchased a \$950,000 convertible promissory note (the “Promissory Note”) from CFH. The Promissory Note bears interest at a rate of 6.5% per annum, payable semiannually, and matures in October 2016. At any time after October 15, 2009, PawnMart may convert the Promissory Note into common shares, \$0.0001 par value, of CFH at a price of \$0.50 per share for each \$0.50 of principal of the Promissory Note outstanding, subject to anti-dilutive adjustment. The Promissory Note is automatically convertible into common shares of CFH on the foregoing basis upon the earlier to occur of a sale of CFH or maturity of the Promissory Note.

The Company reported the investments in the Preferred Shares and the Promissory Note on a fair value basis. The Company reported the Promissory Note based on the fair value of the underlying common stock discounted for marketability plus the present value of the interest to be earned. The Company calculated the present value of the interest utilizing an interest rate of 9% as the Company’s cost of funds. The Company utilized the Black-Sholes pricing model to determine the fair value of the option to convert the Preferred Shares. Implementation of the Black-Sholes model requires the Company to make certain assumptions, including expected volatility, risk-free interest rate, expected dividend yield and expected life of the option to convert. The Company utilized assumptions that it believed to be most appropriate at the time of the valuation, which include the following assumptions for the Preferred Shares: risk-free interest rate of 2.97%, 97.0% volatility in the stock price and weighted average expected life of 120 months for the options.

The Company recognized cumulative net unrealized losses of \$1,144,000 and \$782,000 to reflect the fair value of this investment as of June 30, 2010 and 2009, respectively. The Company recorded unrealized losses of \$362,000 and \$507,000, respectively, to reflect the fair value of this investment during 2010 and 2009.

The table below summarizes the investments in CFH as of June 30, 2010 and 2009 (in thousands):

<u>As of June 30, 2010</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
Common Stock	\$ 734	\$ (601)	\$ 133
Preferred Stock	1,525	(444)	1,081
Promissory Note	<u>950</u>	<u>(99)</u>	<u>851</u>
Total	<u>\$ 3,209</u>	<u>\$ (1,144)</u>	<u>\$ 2,065</u>
<u>As of June 30, 2009</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
Common Stock	\$ 734	\$ (368)	\$ 366
Preferred Stock	1,525	(354)	1,171
Promissory Note	<u>950</u>	<u>(60)</u>	<u>890</u>
Total	<u>\$ 3,209</u>	<u>\$ (782)</u>	<u>\$ 2,427</u>

(12) Commitments and Contingencies

The Company is obligated under various long-term operating lease agreements for store locations and office space. Total rent expense for all operating leases was approximately \$1,888,000 and \$1,729,000 and for the years ended June 30, 2010 and 2009, respectively.

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(12) Commitments and Contingencies (continued)

Future minimum lease payments under non-cancelable operating leases as of June 30, 2010 are (in thousands):

2011	\$ 1,582
2012	1,415
2013	1,247
2014	589
2015	240
Thereafter	-
Total minimum lease payments	<u>\$ 5,073</u>

The Company is involved in various claims and lawsuits that arise in the ordinary course of business, some of which allege monetary damages. While any proceeding or litigation has an element of uncertainty, the Company believes that the outcome of any clam or lawsuit that is pending or threatened, or all of them combined, will not have a material adverse effect on its consolidated financial position or results of operations.

(13) Operating Segment Information

The Company has two reportable business segments; one in the pawn lending industry and one for its investment, management and advisory services. PawnMart operates 24 pawn shops in Georgia and North Carolina. Advisors direct the investment of the Company's available funds in marketable securities and other investment opportunities. Operating information for the years ended June 30, 2010 and 2009 is set forth below (in thousands):

<u>Year Ended June 30, 2010</u>	<u>Pawn Lending</u>	<u>Investment, Management and Advisory Services</u>	<u>Consolidated</u>
Revenues:			
Merchandise sales	\$ 21,606	\$ -	\$ 21,606
Pawn service charges and related fee income	8,404	-	8,404
Other	23	2	25
Total Revenues	<u>30,033</u>	<u>2</u>	<u>30,035</u>
Expenses:			
Cost of sales	13,204	-	13,204
Store operating expenses	10,364	-	10,364
Corporate administrative expenses	3,624	303	3,927
Depreciation and amortization	669	21	690
Operating income (loss)	<u>2,172</u>	<u>(322)</u>	<u>1,850</u>
Interest and dividend income	154	48	202
Interest expense	(376)	(1,968)	(2,344)
Gain on investment	-	5	5
Store closing expense	(13)	-	(13)
Net income (loss) before provision for income taxes	<u>\$ 1,937</u>	<u>\$ (2,237)</u>	<u>\$ (300)</u>
Total Assets	<u>\$ 17,777</u>	<u>\$ 2,031</u>	<u>\$ 19,808</u>

XPONENTIAL, INC. AND SUBSIDIARIES
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June 30, 2010 and 2009

(13) Operating Segment Information (continued)

<u>Year Ended June 30, 2009</u>	<u>Pawn Lending</u>	<u>Investment, Management and Advisory Services</u>	<u>Consolidated</u>
Revenues:			
Merchandise sales	\$ 19,028	\$ -	\$ 19,028
Pawn service charges and related fee income	6,851	-	6,851
Other	18	-	18
Total Revenues	<u>25,897</u>	<u>-</u>	<u>25,897</u>
Expenses:			
Cost of sales	11,851	-	11,851
Store operating expenses	8,953	-	8,953
Corporate administrative expenses	2,991	348	3,339
Depreciation and amortization	545	51	596
Operating income (loss)	<u>1,557</u>	<u>(399)</u>	<u>1,158</u>
Interest and dividend income	153	38	191
Interest expense	(310)	(1,977)	(2,287)
Loss on investments	-	(573)	(573)
Loss on disposition of assets	(10)	-	(10)
Store closing expense	(1)	-	(1)
Net income (loss) before provision for income taxes	<u>\$ 1,389</u>	<u>\$ (2,911)</u>	<u>\$ (1,522)</u>
 Total Assets	 <u>\$ 16,346</u>	 <u>\$ 2,235</u>	 <u>\$ 18,581</u>

(14) Related Party Transactions

As of June 30, 2010, the Company owned 1,663,642 shares of CFH common stock. PawnMart, Inc., owns 3,050,000 Series A convertible preferred shares of CFH (the "Preferred Shares"), for a total of \$1,525,000, which shares are convertible into 3,050,000 shares of common stock of CFH and also owns a \$950,000 Convertible Promissory Note (the "Promissory Note") from CFH, which is convertible into 1,900,000 shares of common stock of CFH.

A related party of an executive of the Company provides marketing and advertising services for the Company. Marketing and advertising fees paid to the related party were approximately \$94,000 and \$70,000 for the years ended June 30, 2010 and 2009, respectively.

(15) Employee Retirement Plan

The Company has adopted a plan known as the PawnMart, Inc. 401(k) Plan (the Plan) to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides tax-deferred salary deductions for eligible employees.

Employees may contribute up to the maximum contributions as set periodically by the Internal Revenue Service. The Company does not match employee contributions.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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(16) Subsequent Events

The Company evaluated subsequent events through November 29, 2010, when these consolidated financial statements were available to be issued. In November 2010, PawnMart amended its Bank Line of Credit (the "Amendment") with their Lender to increase the facility by \$1 million to provide for borrowings up to \$7 million. The Amendment bears interest at an annual rate equal to the bank's 30 Day LIBOR rate, plus 8.75% and is payable in equal monthly installments, as defined in the agreement, over an assumed term ending on the 18 month anniversary of the date of the Amendment. The additional funds were used to finance the asset acquisition of two pawn shop businesses located in Georgia from Autopro Title Pawn, Inc., Golden Title Pawn, LLC and Karl Wagner for the purchase price of \$1.1 million. The asset purchase agreement was executed on November 12, 2010.