

XPONENTIAL, INC.

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XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2008	June 30, 2008
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 745	\$ 1,070
Investments-marketable securities	205	815
Accounts and short term notes receivable	1,009	340
Pawn service charges receivable	499	482
Pawn loans receivable	4,530	4,386
Inventories	4,205	4,245
Prepaid expenses and other current assets	321	278
Total current assets	11,514	11,616
Property and equipment, net	3,716	3,357
Investment in Integrity Mutual Funds, Inc.	2,684	2,934
Note issuance costs, net of amortization of \$688 and \$586 as of December 31, 2008 and June 30, 2008, respectively	1,205	1,307
Other assets, net of amortization of \$141 and \$140 as of December 31, 2008 and June 30, 2008, respectively	107	99
Total assets	\$ 19,226	\$ 19,313
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Bank line of credit	\$ 3,351	\$ 2,352
Current maturities of notes payable	-	175
Accounts payable and accrued expenses	441	341
Accrued payroll and payroll taxes	346	275
Deferred rent	18	18
Deferred revenue	296	297
Accrued interest	164	156
Redeemable Preferred Stock – Series A	-	500
Total current liabilities	4,616	4,114
Long term liabilities:		
8% limited recourse convertible notes, net of discount of \$73 and \$83 at December 31, 2008 and June 30, 2008, respectively	19,927	19,917
Deferred rent	30	30
Total long term liabilities	19,957	19,947
Commitments and contingencies		
Redeemable preferred stock – Series A; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 per share; 671,620 shares issued at December 31, 2008 and June 30, 2008, respectively	3,358	2,858
Total liabilities	27,931	26,919
Stockholders' equity:		
Preferred stock – Series B; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 per share (\$2,500,210); 500,042 shares issued at December 31, 2008 and June 30, 2008, respectively	5	5
Common stock - \$0.01 par value; 10,000,000 shares authorized, 2,732,757 and 2,619,519 shares issued as of December 31, 2008 and June 30, 2008, respectively	28	26
Additional paid-in capital	6,272	6,253
Accumulated deficit	(13,667)	(13,413)
Accumulated other comprehensive income (loss)	(1,297)	(437)
Less treasury stock, at cost; 65,500 and 25,000 common shares at December 31 and June 30, 2008, respectively	(46)	(40)
Total stockholders' deficit	(8,705)	(7,606)
Total liabilities and stockholders' deficit	\$ 19,226	\$ 19,313

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

	Six Months Ended December 31, 2008	Six Months Ended December 31, 2007
Revenues:		
Merchandise sales	\$ 9,947	\$ 7,028
Pawn service charges and related fee income	3,293	2,964
Total revenues	<u>13,240</u>	<u>9,992</u>
Cost of sales	<u>6,426</u>	<u>4,749</u>
Gross profit	6,814	5,243
Expenses:		
Store operating expenses	4,190	3,314
Corporate administrative expenses	1,516	1,507
Depreciation and amortization	283	250
Total expenses	<u>5,989</u>	<u>5,071</u>
Operating income (loss)	825	172
Interest and dividend income	91	378
Interest expense including Series A preferred dividends of \$43 and \$97 for the six months ended December 31, 2008 and 2007, respectively	(1,127)	(1,312)
Gain on futures contracts	-	8
Gain (loss) on disposition of assets	(4)	24
Store closing expense	-	(114)
Net loss before taxes	<u>(215)</u>	<u>(844)</u>
Income tax expense	-	-
Net loss	<u>(215)</u>	<u>(844)</u>
Preferred stock dividend requirement	<u>(38)</u>	<u>(63)</u>
Net loss allocable to common stockholders	<u>\$ (253)</u>	<u>\$ (907)</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

	<u>Three Months Ended December 31, 2008</u>	<u>Three Months Ended December 31, 2007</u>
Revenues:		
Merchandise sales	\$ 5,734	\$ 4,480
Pawn service charges and related fee income	<u>1,679</u>	<u>1,452</u>
Total revenues	<u>7,413</u>	<u>5,932</u>
Cost of sales	<u>3,817</u>	<u>2,825</u>
Gross profit	3,596	3,107
Expenses:		
Store operating expenses	2,179	1,734
Corporate administrative expenses	704	773
Depreciation and amortization	<u>145</u>	<u>130</u>
Total expenses	<u>3,028</u>	<u>2,637</u>
Operating income (loss)	568	470
Interest and dividend income	43	184
Interest expense including Series A preferred dividends of \$-0- and \$48 for the three months ended December 31, 2008 and 2007, respectively	(547)	(658)
Gain (loss) on futures contracts	-	(2)
Gain (loss) on disposition of assets	(4)	24
Store closing expense	<u>-</u>	<u>(114)</u>
Net loss before taxes	60	(96)
Income tax expense	<u>-</u>	<u>-</u>
Net loss	60	(96)
Preferred stock dividend requirement	<u>(7)</u>	<u>(31)</u>
Net loss allocable to common stockholders	<u>\$ 53</u>	<u>\$ (127)</u>

XPONENTIAL, INC. AND SUBSIDIARIES

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 25 pawn shops in Georgia and North Carolina. Xponential Advisors directs the investment of the Company's available funds in marketable securities and other investment opportunities. Operating segment data for the three and six months ended December 31, 2008 and 2007 is set forth below:

(In thousands)

Six Months Ended December 31, 2008

	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 9,947	-	9,947
Pawn service charges and related fee income	3,293	-	3,293
Total Revenue	<u>13,240</u>	<u>-</u>	<u>13,240</u>
Expenses:			
Cost of sales	6,426	-	6,426
Store operating expenses	4,190	-	4,190
Corporate administrative expenses	1,297	219	1,516
Depreciation and amortization	253	30	283
Operating income (loss)	<u>1,074</u>	<u>(249)</u>	<u>825</u>
Interest and dividend income	77	14	91
Interest expense	(179)	(948)	(1,127)
Gain (loss) on disposition of assets	(4)	-	(4)
Net loss before taxes	<u>\$ 968</u>	<u>(1,183)</u>	<u>(215)</u>
Total Assets	<u>\$ 15,243</u>	<u>\$ 3,983</u>	<u>\$ 19,226</u>

(In thousands)

Six Months Ended December 31, 2007

	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 7,020	\$ -	\$ 7,020
Pawn service charges and related fee income	2,972	-	2,972
Total Revenue	<u>9,992</u>	<u>-</u>	<u>9,992</u>
Expenses:			
Cost of sales	4,749	-	4,749
Store operating expenses	3,314	-	3,314
Corporate administrative expenses	1,246	261	1,507
Depreciation and amortization	221	29	250
Operating income (loss)	<u>462</u>	<u>(290)</u>	<u>172</u>
Interest and dividend income	87	291	378
Interest expense	(259)	(1,053)	(1,312)
Gain on change of futures contracts value	8	-	8
Gain on sale of marketable securities	-	24	24
Store closing expense	(114)	-	(114)
Net loss before taxes	<u>\$ 184</u>	<u>(1,028)</u>	<u>(844)</u>
Total Assets	<u>\$ 15,687</u>	<u>\$ 7,949</u>	<u>\$ 23,636</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Operating Segment Information

(9) Operating Segment Information (continued)

(In thousands)	Pawn	Investment,	
For the Three Months Ended December 31, 2008	<u>Lending</u>	<u>Management and</u>	<u>Consolidated</u>
Revenue:		<u>Advisory Services</u>	
Merchandise sales	\$ 5,734	\$ -	\$ 5,734
Pawn service charges and related fee income	<u>1,679</u>	<u>-</u>	<u>1,679</u>
Total Revenue	7,413	-	7,413
Expenses:			
Cost of sales	3,817	-	3,817
Store operating expenses	2,179	-	2,179
Corporate administrative expenses	602	102	704
Depreciation and amortization	<u>130</u>	<u>15</u>	<u>145</u>
Operating income (loss)	685	(117)	568
Interest and dividend income	39	4	43
Interest expense	(95)	(452)	(547)
Gain (loss) on disposition of assets	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Net income (loss) before taxes and cumulative effect of changes in accounting principle	<u>\$ 625</u>	<u>\$ (565)</u>	<u>\$ 60</u>
Total Assets	<u>\$ 15,243</u>	<u>\$ 3,983</u>	<u>\$ 19,226</u>

(In thousands)

Three Months Ended December 31, 2007

	<u>Pawn Lending</u>	<u>Investment, Management and Advisory Services</u>	<u>Consolidated</u>
Revenue:			
Merchandise sales	\$ 4,480	\$ -	\$ 4,480
Pawn service charges and related fee income	1,452	-	1,452
Total Revenue	<u>5,932</u>	<u>-</u>	<u>5,932</u>
Expenses:			
Cost of sales	2,825	-	2,825
Store operating expenses	1,734	-	1,734
Corporate administrative expenses	667	106	773
Depreciation and amortization	114	16	130
Operating income (loss)	<u>592</u>	<u>(122)</u>	<u>470</u>
Interest and dividend income	45	139	184
Interest expense	(130)	(528)	(658)
Loss on change of futures contracts value	(2)	-	(2)
Gain on sale of marketable securities	-	24	24
Store closing expense	(114)	-	(114)
Net loss before taxes	<u>\$ 391</u>	<u>\$ (487)</u>	<u>\$ (96)</u>
Total Assets	<u>\$ 15,687</u>	<u>\$ 7,949</u>	<u>\$ 23,636</u>