

XPONENTIAL, INC.

INDEX

Index to Consolidated Financial Statements	Page
Consolidated Balance Sheets as of December 31 and June 30, 2009	1
Consolidated Statements of Operations for the Six and Three Months Ended December 31, 2009 and 2008	2
Consolidated Statements of Cash Flows for the Six and Three Months Ended December 31, 2009 and 2008	4

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

	December 31, 2009	June 30, 2009
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 642	\$ 627
Investments-marketable securities	514	341
Accounts and short term notes receivable	991	119
Pawn service charges receivable	607	584
Pawn loans receivable	5,538	5,308
Inventories	3,739	4,032
Prepaid expenses and other current assets	534	426
Total current assets	12,565	11,437
Property and equipment, net	3,580	3,498
Investment in Capital Financial Holdings, Inc	2,294	2,427
Note issuance costs, net of amortization of \$891 and \$790 as of December 31, 2009 and June 30, 2009, respectively	1,001	1,103
Other assets, net of amortization of \$142 and \$140 as of December 31, 2009 and June 30, 2009, respectively	152	116
Total assets	\$ 19,592	\$ 18,581
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Bank line of credit	\$ 3,844	\$ 3,442
Accounts payable and accrued expenses	366	390
Accrued payroll and payroll taxes	564	325
Deferred rent	1	1
Deferred revenue	301	319
Accrued interest	35	160
Redeemable Preferred Stock – Series A	3,358	3,358
Total current liabilities	8,469	7,995
Long term liabilities:		
8% limited recourse convertible notes, net of discount of \$54 and \$64 at December 31, 2009 and June 30, 2009, respectively	19,946	19,936
Cumulative preferred stock dividend payable	365	219
Deferred rent	74	74
Total long term liabilities	20,385	20,229
Total liabilities	28,854	28,224
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, 2009 and June 30, 2009, respectively	5	5
Common stock - \$0.01 par value; 10,000,000 shares authorized, 2,750,411 shares issued as of December 31, 2009 and June 30, 2009, respectively	28	27
Additional paid-in capital	6,272	6,272
Accumulated deficit	(14,739)	(15,062)
Accumulated other comprehensive income (loss)	(781)	(838)
Less treasury stock, at cost; 65,500 common shares at December 31 and June 30, 2009, respectively	(47)	(47)
Total stockholders' deficit	(9,262)	(9,643)
Total liabilities and stockholders' deficit	\$ 19,592	\$ 18,581

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

	<u>Six Months Ended December 31, 2009</u>	<u>Six Months Ended December 31, 2008</u>
Revenues:		
Merchandise sales	\$ 11,702	\$ 9,947
Pawn service charges and related fee income	4,255	3,293
Total revenues	<u>15,957</u>	<u>13,240</u>
Cost of sales	<u>7,428</u>	<u>6,426</u>
Gross profit	8,529	6,814
Expenses:		
Store operating expenses	4,925	4,190
Corporate administrative expenses	1,855	1,516
Depreciation and amortization	320	283
Total expenses	<u>7,100</u>	<u>5,989</u>
Operating income	<u>1,429</u>	<u>825</u>
Interest and dividend income	106	91
Interest expense including Series A preferred dividends of \$83 and \$43 for the six months ended December 31, 2009 and 2008, respectively	(1,184)	(1,127)
Loss on disposition of assets	-	(4)
Net income (loss) before taxes	<u>351</u>	<u>(215)</u>
Income tax expense	-	-
Net income (loss)	<u>351</u>	<u>(215)</u>
Preferred stock dividend requirement	(62)	(65)
Net income (loss) allocable to common stockholders	<u>\$ 289</u>	<u>\$ (280)</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

	<u>Three Months Ended December 31, 2009</u>	<u>Three Months Ended December 31, 2008</u>
Revenues:		
Merchandise sales	\$ 6,631	\$ 5,734
Pawn service charges and related fee income	2,205	1,679
Total revenues	<u>8,836</u>	<u>7,413</u>
Cost of sales	<u>4,089</u>	<u>3,817</u>
Gross profit	4,747	3,596
Expenses:		
Store operating expenses	2,681	2,179
Corporate administrative expenses	984	704
Depreciation and amortization	161	145
Total expenses	<u>3,826</u>	<u>3,028</u>
Operating income	921	568
Interest and dividend income	58	43
Interest expense including Series A preferred dividends of \$42 and \$0- for the three months ended December 31, 2009 and 2008, respectively	(603)	(549)
Loss on disposition of assets	-	(4)
Net income before taxes	<u>376</u>	<u>60</u>
Income tax expense	-	-
Net income	<u>376</u>	<u>60</u>
Preferred stock dividend requirement	<u>(31)</u>	<u>(31)</u>
Net income allocable to common stockholders	<u>\$ 345</u>	<u>\$ 29</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	<u>For the Six Months Ended December 31, 2009</u>	<u>For the Six Months Ended December 31, 2008</u>
Cash flows from operating activities:		
Net income (loss)	\$ 351	\$ (215)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	320	283
Non cash compensation expense	-	4
Non-cash interest expense	1	-
Loss on disposition of assets	-	4
Amortization of debt issue costs	102	102
Changes in operating assets and liabilities:		
Accounts receivable	(872)	(669)
Pawn service charges receivable	(23)	(17)
Inventories, net	293	40
Prepaid expenses and other assets	(108)	(51)
Accounts payable and accrued liabilities	241	178
Net cash provided by (used in) operating activities	<u>305</u>	<u>(341)</u>
Cash flows from investing activities:		
Pawn loans made	(10,860)	(9,760)
Pawn loans redeemed	4,850	4,020
Inventory acquired from loan forfeitures	5,777	5,596
Purchases of property and equipment	(394)	(635)
Other assets	(66)	-
Net cash provided by (used in) investing activities	<u>(693)</u>	<u>(779)</u>
Cash flows from financing activities:		
Borrowings on notes payable	8,919	8,395
Principal payments on notes payable	(8,516)	(7,572)
Proceeds from issuance of common stock	-	16
Purchase of treasury stock	-	(6)
Dividends paid	-	(38)
Net cash provided by financing activities	<u>403</u>	<u>795</u>
Net increase (decrease) in cash and cash equivalents	15	(325)
Cash and cash equivalents at beginning of period	627	1,070
Cash and cash equivalents at end of period	<u>\$ 642</u>	<u>\$ 745</u>
Supplemental disclosures of cash flow information -		
Cash paid for interest	<u>\$ 1,224</u>	<u>\$ 1,018</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	For the Three Months Ended December 31, 2009	For the Three Months Ended December 31, 2008
Cash flows from operating activities:		
Net income	\$ 376	\$ 60
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	161	145
Loss on disposition of assets	-	4
Amortization of debt issue costs	51	51
Changes in operating assets and liabilities:		
Accounts receivable	(639)	(300)
Pawn service charges receivable	9	31
Inventories, net	541	653
Prepaid expenses and other assets	(77)	(43)
Accounts payable and accrued liabilities	(276)	(14)
Net cash used in operating activities	<u>143</u>	<u>587</u>
Cash flows from investing activities:		
Pawn loans made	(5,221)	(4,576)
Pawn loans redeemed	2,329	2,029
Inventory acquired from loan forfeitures	2,950	2,851
Purchases of property and equipment	(184)	(378)
Other assets	(19)	-
Net cash provided by (used in) investing activities	<u>(145)</u>	<u>(74)</u>
Cash flows from financing activities:		
Borrowings on notes payable	4,390	4,139
Principal payments on notes payable	(4,597)	(4,723)
Proceeds from issuance of common stock	-	16
Purchase of treasury stock	-	(6)
Dividends paid	-	(7)
Net cash provided by (used in) financing activities	<u>(207)</u>	<u>(581)</u>
Net decrease in cash and cash equivalents	(209)	(68)
Cash and cash equivalents at beginning of period	851	813
Cash and cash equivalents at end of period	<u>\$ 642</u>	<u>\$ 745</u>
Supplemental disclosures of cash flow information -		
Cash paid for interest	<u>\$ 691</u>	<u>\$ 499</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, 2009 and 2008 is set forth below:

(In thousands)

Six Months Ended December 31, 2009	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 11,702	-	11,702
Pawn service charges and related fee income	4,255	-	4,255
Total Revenue	<u>15,957</u>	<u>-</u>	<u>15,957</u>
Expenses:			
Cost of sales	7,428	-	7,428
Store operating expenses	4,925	-	4,925
Corporate administrative expenses	1,685	170	1,855
Depreciation and amortization	311	9	320
Operating income (loss)	<u>1,608</u>	<u>(179)</u>	<u>1,429</u>
Interest and dividend income	77	29	106
Interest expense	(199)	(985)	(1,184)
Net income (loss) before taxes	<u>\$ 1,486</u>	<u>(1,135)</u>	<u>351</u>
Total Assets	<u>\$ 14,751</u>	<u>\$ 4,841</u>	<u>\$ 19,592</u>

(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 income (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>

XPONENTIAL, INC. AND SUBSIDIARIES

Operating Segment Information

(In thousands)

For the Three Months Ended December 31, 2009	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 6,631	\$ -	\$ 6,631
Pawn service charges and related fee income	2,205	-	2,205
Total Revenue	8,836	-	8,836
Expenses:			
Cost of sales	4,089	-	4,089
Store operating expenses	2,681	-	2,681
Corporate administrative expenses	912	72	984
Depreciation and amortization	157	4	161
Operating income (loss)	997	(76)	921
Interest and dividend income	38	20	58
Interest expense	(37)	(566)	(603)
Net income (loss) before taxes	\$ 998	\$ (622)	\$ 376
Total Assets	\$ 14,751	\$ 4,841	\$ 19,592

(In thousands)

For the Three Months Ended December 31, 2008	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 5,734	\$ -	\$ 5,734
Pawn service charges and related fee income	1,679	-	1,679
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	130	15	145
Operating income (loss)	685	(117)	568
Interest and dividend income	39	4	43
Interest expense	(95)	(452)	(547)
Gain (loss) on disposition of assets	(4)	-	(4)
Net income (loss) before taxes	\$ 625	\$ (565)	\$ 60
Total Assets	\$ 15,243	\$ 3,983	\$ 19,226