

**XPONENTIAL, INC.**

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**XPONENTIAL, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31, 2011	June 30, 2011
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 536	\$ 524
Accounts and short term notes receivable	1,529	846
Pawn service charges receivable	932	837
Pawn loans receivable	8,471	7,606
Inventories	4,761	4,504
Prepaid expenses and other current assets	523	486
Total current assets	<u>16,752</u>	<u>14,803</u>
Property and equipment, net	5,033	4,356
Investment in Capital Financial Holdings, Inc.	1,370	1,404
Goodwill	2,479	2,479
Note issuance costs, net of amortization of \$1,299 and \$1,197 as of December 31, 2011 and June 30, 2011, respectively	594	696
Other assets, net of amortization of \$37 and \$21 as of December 31, 2011 and June 30, 2011, respectively	357	220
Total assets	<u>\$ 26,585</u>	<u>\$ 23,958</u>
 <u>Liabilities and Stockholders' Deficit</u>		
Current liabilities:		
Bank line of credit	\$ 7,143	\$ 5,905
Acquisition payable	-	2,775
Accounts payable and accrued expenses	1,150	1,014
Accrued payroll and payroll taxes	683	475
Deferred rent	28	28
Deferred revenue	327	311
Accrued interest	224	191
Cumulative preferred stock dividend payable	545	461
Redeemable Preferred Stock – Series A	3,358	3,358
Total current liabilities	<u>13,458</u>	<u>14,518</u>
Long term liabilities:		
Notes payable	2,858	-
8% limited recourse convertible notes, net of discount of \$15 and \$25 at December 31, 2011 and June 30, 2011, respectively	19,985	19,975
Deferred rent	66	66
Total long term liabilities	<u>22,909</u>	<u>20,041</u>
Total liabilities	<u>36,367</u>	<u>34,559</u>
Stockholders' deficit:		
Preferred stock – Series B; convertible; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 share; 500,050 shares authorized; 500,042 shares issued and outstanding at December 31, 2011 and June 30, 2011	5	5
Common stock - \$0.01 par value; 10,000,000 shares authorized, 2,750,411 shares issued as of December 31, 2011 and June 30, 2011	27	27
Additional paid-in capital	6,272	6,272
Accumulated deficit	(15,152)	(16,002)
Accumulated other comprehensive loss	(887)	(856)
Less treasury stock, at cost; 65,500 common shares at December 31 and June 30, 2011, respectively	(47)	(47)
Total stockholders' deficit	<u>(9,782)</u>	<u>(10,601)</u>
Total liabilities and stockholders' deficit	<u>\$ 26,585</u>	<u>\$ 23,958</u>

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Consolidated Statements of Operations  
(Unaudited)

(In thousands)

	Six Months Ended December 31, 2011	Six Months Ended December 31, 2010
Revenues:		
Merchandise sales	\$ 17,020	\$ 12,364
Pawn service charges and related fee income	6,448	5,122
Total revenues	23,468	17,486
Cost of sales	11,771	8,060
Gross profit	11,697	9,426
Expenses:		
Store operating expenses	6,288	5,362
Corporate administrative expenses	2,467	2,047
Depreciation and amortization	517	420
Total expenses	9,272	7,829
Operating income	2,425	1,597
Interest and dividend income	67	90
Gain on Disposition of Assets	-	132
Interest Expense	(1,642)	(1,347)
Store closing expenses	-	(27)
Net income before taxes	850	445
Income Tax Expense	-	-
Net Income	850	445

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Consolidated Statements of Operations  
(Unaudited)

(In thousands)

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010
Revenues:		
Merchandise sales	\$ 9,761	\$ 7,105
Pawn service charges and related fee income	3,309	2,634
Total revenues	13,070	9,739
Cost of sales	6,715	4,575
Gross profit	6,355	5,164
Expenses:		
Store operating expenses	3,172	2,768
Corporate administrative expenses	1,198	1,007
Depreciation and amortization	270	226
Total expenses	4,640	4,001
Operating income	1,715	1,163
Interest and dividend income	46	38
Loss on disposition of assets	-	(61)
Interest expense	(832)	(689)
Store closing expenses	-	(7)
Net income before taxes	\$ 929	444
Income tax expense	-	-
Net Income	\$ 929	444

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)

	For the Six Months Ended December 31, 2011	For the Six Months Ended December 31, 2010
Cash flows from operating activities:		
Net income (loss)	\$ 850	\$ 445
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	517	420
Non cash compensation expense	-	-
Non-cash interest expense	107	-
Gain on disposition of assets	-	(132)
Amortization of debt issue costs	102	101
Changes in operating assets and liabilities:		
Accounts receivable	(758)	(302)
Pawn service charges receivable	(94)	(127)
Inventories, net	(257)	(645)
Prepaid expenses and other assets	21	(63)
Accounts payable and accrued liabilities	(2,621)	628
Net cash used in operating activities	(2,133)	325
Cash flows from investing activities:		
Pawn loans made	(14,492)	(12,519)
Pawn loans redeemed	6,793	5,313
Inventory acquired from loan forfeitures	6,834	6,080
Proceeds from sale of investments	75	407
Purchases of property and equipment	(1,187)	(518)
Other assets	(144)	(656)
Net cash provided by (used in) investing activities	(2,121)	(1,893)
Cash flows from financing activities:		
Borrowings on notes payable	18,487	12,169
Principal payments on notes payable	(14,221)	(10,414)
Net cash provided by (used in) financing activities	4,266	1,755
Net increase (decrease) in cash and cash equivalents	12	187
Cash and cash equivalents at beginning of period	524	690
Cash and cash equivalents at end of period	\$ 536	\$ 877
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 1,501	\$ 1,125

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)

	For the Three Months Ended December 31, 2011	For the Three Months Ended December 31, 2010
Cash flows from operating activities:		
Net income (loss)	\$ 929	\$ 444
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	270	226
Non-cash interest expense	55	-
Loss on disposition of assets	-	62
Amortization of debt issue costs	51	51
Changes in operating assets and liabilities:		
Accounts receivable	(1,111)	(605)
Pawn service charges receivable	(23)	(52)
Inventories, net	1,192	166
Prepaid expenses and other assets	(3)	(71)
Accounts payable and accrued liabilities	(3)	227
Net cash used in operating activities	1,357	448
Cash flows from investing activities:		
Pawn loans made	(7,080)	(5,956)
Pawn loans redeemed	3,246	2,639
Inventory acquired from loan forfeitures	3,608	2,867
Proceeds from sale of investments	75	-
Purchases of property and equipment	(692)	(279)
Other assets	(144)	(639)
Net cash provided by (used in) investing activities	(987)	(1,368)
Cash flows from financing activities:		
Borrowings on notes payable	7,235	6,302
Principal payments on notes payable	(7,679)	(5,799)
Net cash provided by (used in) financing activities	(444)	503
Net increase (decrease) in cash and cash equivalents	(74)	(417)
Cash and cash equivalents at beginning of period	610	1,294
Cash and cash equivalents at end of period	\$ 536	\$ 877
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 897	\$ 580

**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 29 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, 2011 and 2010 is set forth below:

(In thousands)

Six Months Ended December 31, 2011	Pawn Lending	Investment, Management and Advisory Services	Consolidated
<b>Revenue:</b>			
Merchandise sales	\$ 17,020	-	17,020
Pawn service charges and related fee income	6,448	-	6,448
<b>Total Revenue</b>	<u>23,468</u>	<u>-</u>	<u>23,468</u>
<b>Expenses:</b>			
Cost of sales	11,771	-	11,771
Store operating expenses	6,288	-	6,288
Corporate administrative expenses	2,265	202	2,467
Depreciation and amortization	507	10	517
<b>Operating income (loss)</b>	<u>2,637</u>	<u>(212)</u>	<u>2,425</u>
Interest and dividend income	67	-	67
Gain on disposition of assets	-	-	-
Interest expense	(656)	(986)	(1,642)
<b>Net income (loss) before taxes</b>	<u>\$ 2,048</u>	<u>(1,198)</u>	<u>850</u>
<b>Total Assets</b>	<u>\$ 25,693</u>	<u>\$ 892</u>	<u>\$ 26,585</u>

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Operating Segment Information

(In thousands)

Six Months Ended December 31, 2010	Pawn Lending	Investment, Management and Advisory Services	Consolidated
<b>Revenue:</b>			
Merchandise sales	\$ 12,364	-	12,364
Pawn service charges and related fee income	5,122	-	5,122
<b>Total Revenue</b>	17,486	-	17,486
<b>Expenses:</b>			
Cost of sales	8,060	-	8,060
Store operating expenses	5,362	-	5,362
Corporate administrative expenses	1,879	168	2,047
Depreciation and amortization	410	10	420
<b>Operating income (loss)</b>	1,775	(178)	1,597
Interest and dividend income	77	13	90
Gain on disposition of assets	-	132	132
Interest expense	(362)	(985)	(1,347)
Store closing expense	(27)	-	(27)
<b>Net income(loss) before taxes</b>	\$ 1,463	(1,018)	445
<b>Total Assets</b>	\$ 20,656	\$ 1,819	\$ 22,475



**XPONENTIAL, INC. AND SUBSIDIARIES**  
Operating Segment Information

(In thousands)

For the Three Months Ended December 31, 2011	Pawn Lending	Investment, Management and Advisory Services	Consolidated
<b>Revenue:</b>			
Merchandise sales	\$ 9,761	\$ -	\$ 9,761
Pawn service charges and related fee income	3,309	-	3,309
<b>Total Revenue</b>	<u>13,070</u>	<u>-</u>	<u>13,070</u>
<b>Expenses:</b>			
Cost of sales	6,715	-	6,715
Store operating expenses	3,172	-	3,172
Corporate administrative expenses	1,112	86	1,198
Depreciation and amortization	265	5	270
<b>Operating income (loss)</b>	<u>1,806</u>	<u>(91)</u>	<u>1,715</u>
Interest and dividend income	46	-	46
Interest expense	(339)	(493)	(832)
Net income (loss) before taxes	<u>\$ 1,513</u>	<u>\$ (584)</u>	<u>\$ 929</u>
<b>Total Assets</b>	<u>\$ 25,693</u>	<u>\$ 892</u>	<u>\$ 26,585</u>

**XPONENTIAL, INC. AND SUBSIDIARIES**  
Operating Segment Information

(In thousands)

For the Three Months Ended December 31, 2010	Pawn Lending	Investment, Management and Advisory Services	Consolidated
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenue:</b>			
Merchandise sales	\$ 7,105	\$ -	\$ 7,105
Pawn service charges and related fee income	2,634	-	2,634
<b>Total Revenue</b>	<u>9,739</u>	<u>-</u>	<u>9,739</u>
<b>Expenses:</b>			
Cost of sales	4,575	-	4,575
Store operating expenses	2,768	-	2,768
Corporate administrative expenses	945	62	1,007
Depreciation and amortization	221	5	226
<b>Operating income (loss)</b>	<u>1,230</u>	<u>(67)</u>	<u>1,163</u>
Investment income	38	-	38
Loss on disposition of assets	-	(61)	(61)
Interest expense	(197)	(492)	(689)
Store closing expense	(7)	-	(7)
<b>Net income (loss) before taxes</b>	<u>\$ 1,064</u>	<u>\$ (620)</u>	<u>\$ 444</u>
<b>Total Assets</b>	<u>\$ 20,656</u>	<u>\$ 1,819</u>	<u>\$ 22,475</u>