

XPONENTIAL, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

XPONENTIAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Index to Consolidated Financial Statements

Report of Independent Certified Public Accountants	1
Consolidated Balance Sheets.....	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss.....	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6



Certified Public Accountants and Business Advisors

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Xponential, Inc.:

We have audited the accompanying consolidated balance sheets of Xponential, Inc. (a Nevada Corporation) and subsidiaries as of June 30, 2009 and 2008, 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 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 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, 2009 and 2008, 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 \$9.6 million as of June 30, 2009. 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, appearing to read 'Halij, Aragata & Partners, LLP'.

Atlanta, Georgia
September 24, 2009

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

	As of June 30	
	2009	2008
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 627	\$ 1,070
Investments - marketable securities	341	815
Accounts and short term notes receivable	119	340
Pawn service charges receivable	584	482
Pawn loans receivable	5,308	4,386
Inventories	4,032	4,245
Prepaid expenses and other current assets	426	278
Total current assets	11,437	11,616
Property and equipment, net	3,498	3,357
Investment in Capital Financial Holdings, Inc	2,427	2,934
Bond issuance costs, net of amortization of \$790 and \$586 as of June 30, 2009 and 2008, respectively . .	1,103	1,307
Other assets, net of amortization of \$140 and \$139 as of June 30, 2009 and 2008, respectively	116	99
Total assets	\$ 18,581	\$ 19,313
<i>Liabilities and Stockholders' Equity(Deficit)</i>		
Current liabilities:		
Current maturities of notes payable	\$ -	\$ 175
Bank line of credit	3,442	-
Accounts payable and accrued expenses	390	341
Accrued payroll and payroll taxes	325	275
Deferred rent	1	18
Deferred revenues	319	297
Accrued interest	160	156
Redeemable Preferred Stock – Series A	3,358	500
Total current liabilities	7,995	1,762
Long term liabilities:		
Bank line of credit	-	2,352
Deferred rent	74	30
Cumulative preferred stock dividend payable (See Note 9)	219	-
8% limited recourse convertible notes, net of discount of \$64 and \$83 as of June 30, 2009 and 2008, respectively	19,936	19,917
Total long term liabilities	20,229	22,299
Commitments and contingencies – (See Note 14)		
Redeemable preferred stock – Series A; subject to mandatory redemption; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 per share; 1,071,636 shares issued as of June 30, 2009 and 2008; 671,620 shares outstanding as of June 30, 2009 and 2008 (See Note 9)	-	2,858
Total liabilities	28,224	26,919
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, 2009 and 2008	5	5
Common stock \$0.01 par value; 10,000,000 shares authorized; 2,750,411 and 2,637,173 shares issued at June 30, 2009 and 2008, respectively	27	26
Treasury stock (65,500 and 25,000 shares, at cost. June 30, 2009 and 2008, respectively)	(47)	(40)
Additional paid-in capital	6,272	6,253
Accumulated deficit	(15,062)	(13,413)
Accumulated other comprehensive loss	(838)	(437)
Total stockholders' equity(deficit)	(9,643)	(7,606)
Total liabilities and stockholders' equity(deficit)	\$ 18,581	\$ 19,313

See accompanying notes to consolidated financial statements.

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

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Revenues:		
Merchandise sales	\$ 19,028	\$ 15,556
Pawn service charges and related fee income	6,851	5,844
Other	18	13
Total revenues	25,897	21,413
Expenses:		
Cost of sales	11,851	9,918
Store operating expenses	8,953	7,276
Corporate administrative expenses	3,339	3,235
Depreciation and amortization	597	533
Total expenses	24,740	20,962
Operating income	1,157	451
Interest and dividend income	191	503
Interest expense	(2,287)	(2,465)
Loss on investments	(573)	(2,329)
Loss on disposition of assets	(10)	(131)
Gain on futures contracts	-	8
Loss before taxes	(1,522)	(3,963)
Income tax expense	-	-
Net loss	(1,522)	(3,963)
Series B preferred stock dividend requirement	(127)	(125)
Net loss allocable to common stockholders	\$ (1,649)	\$ (4,088)

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Loss
Years Ended June 30, 2009 and June 30, 2008
(In Thousands, Except Share Data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
Balances at July 1, 2007	500,042	\$ 5	2,589,327	\$ 26	\$6,152	\$ (9,325)	\$ 2,427	\$ (40)	\$ (755)
Sale of common stock	—	—	47,846	—	48	—	—	—	48
Stock based compensation	—	—	—	—	53	—	—	—	53
Preferred stock dividends paid	—	—	—	—	—	(125)	—	—	(125)
Net loss	—	—	—	—	—	(3,963)	—	—	(3,963)
Other comprehensive income (loss):									
Reclassification of unrealized gains recognized in net loss . . .	—	—	—	—	—	—	(115)	—	(115)
Unrealized loss on investments	—	—	—	—	—	—	(2,749)	—	(2,749)
Comprehensive loss									(6,827)
Balances at June 30, 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:									
Reclassification of unrealized gains recognized in net loss . . .	—	—	—	—	—	—	—	—	—
Unrealized loss on investments	—	—	—	—	—	—	(401)	—	(401)
Comprehensive loss									(1,923)
Balances at June 30, 2009	<u>500,042</u>	<u>\$ 5</u>	<u>2,750,411</u>	<u>\$ 27</u>	<u>\$ 6,272</u>	<u>\$ (15,062)</u>	<u>\$ (838)</u>	<u>\$ (47)</u>	<u>\$ (9,643)</u>

See accompanying notes to consolidated financial statements.

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

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Cash flows from operating activities:		
Net loss	\$ (1,522)	\$ (3,963)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	578	514
Non-cash compensation expense	3	53
Amortization of warrants	19	19
Amortization of loan origination fees	1	8
Non-cash interest and dividend income	-	31
Accrued dividends payable	126	-
Loss on investments	573	2,329
Loss on disposition of assets	10	131
Amortization of debt issuance costs	204	204
Gain on futures contracts	-	(8)
Changes in operating assets and liabilities:		
Accounts receivable	221	8
Pawn service charges receivable	(102)	27
Inventories	213	448
Prepaid expenses and other current assets	(148)	(70)
Change in total current liabilities	152	228
Net cash provided by (used in) operating activities	328	(41)
Cash flows from investing activities:		
Pawn loans made	(19,529)	(16,294)
Pawn loans repaid	8,510	8,237
Inventories acquired from loan forfeitures	10,095	8,297
Proceeds from sale of investments	7	2,532
Purchases of property and equipment	(745)	(883)
Purchase of other assets	-	6
Net cash provided by (used in) investing activities	(1,662)	1,895
Cash flows from financing activities:		
Net borrowings (payments) on bank line of credit	1,090	(225)
Payments on notes payable	(175)	(1,018)
Proceeds from sale of common stock	17	48
Purchase of treasury stock	(7)	-
Preferred stock - Series A redemption	-	(500)
Dividends paid	(34)	(125)
Net cash provided by (used in) financing activities	891	(1,820)
Net increase (decrease) in cash and cash equivalents	(443)	34
Cash and cash equivalents at beginning of year	1,070	1,036
Cash and cash equivalents at end of year	\$ 627	\$ 1,070
Supplemental disclosures of cash flow information - cash paid for interest	\$ 1,953	\$ 2,254

See accompanying notes to consolidated financial statements.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2009 and 2008

(1) Organization and Business

Xponential, Inc. (“Xponential”), formerly PawnMart, Inc., was incorporated in Delaware on January 13, 1994. Effective February 28, 2003, PawnMart, Inc. changed its name to “Xponential, Inc.” Xponential’s wholly-owned subsidiary PawnMart, Inc. is a specialty finance and retail enterprise principally engaged in establishing and operating stores which advance money secured by the pledge of tangible personal property, and buying and selling pre-owned merchandise. As of June 30, 2009, Xponential owned and operated 25 stores located in Georgia and North Carolina.

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 registrant submitted a Certification of Termination of Registration on Form 15 to the Securities and Exchange Commission 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 registrant’s obligations to file certain reports with the SEC, including Forms 10-KSB, 10-QSB, and 8-K, were immediately suspended. The registrant’s securities will cease 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

(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.

(b) Cash and Cash Equivalents

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

(c) Concentration of Credit Risk Arising From Cash Deposit 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.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(2) Summary of Significant Accounting Policies (continued)

(d) Loans and Revenue Recognition

Pawn loans (“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.

Pawn service charges receivable represent an amount equivalent to earned pawn service charges not collected as of June 30, 2009 and 2008, 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. Deferred revenues related to layaway sales totaled approximately \$319,000 and \$297,000 as of June 30, 2009 and 2008, respectively.

(e) 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.

(f) Inventories

Inventories are recorded at cost 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. Inventories are stated at the lower of cost or market.

(g) 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.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(2) Summary of Significant Accounting Policies (continued)

(g) Property and Equipment (continued)

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 asset. The Company did not recognize any impairment charges for the periods ended June 30, 2009 and 2008.

(h) 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 successor company, the Company records income tax expense and a corresponding increase to additional paid in capital.

(i) Advertising Costs

Advertising costs are expensed the first time advertising takes place. Advertising expense was approximately \$398,000 and \$167,000 for the fiscal years ended June 30, 2009 and 2008, respectively.

(j) 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 fair values of the Company's remaining long-term notes payable instruments are approximately \$19,936,000 and bear interest at a fixed rate of 8% per annum. Management believes these debts bear interest rates equal to rates available for debt with similar characteristics and that the carrying value of the debt approximates its fair value. The carrying amount of all other financial

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(2) Summary of Significant Accounting Policies (continued)

(j) Fair Values of Financial Instruments (continued)

instruments including cash, receivables and payables included in the Company's consolidated balance sheet approximate fair value due to the short maturity of these instruments.

(k) Stock Based Compensation

Effective January 1, 2003, the Company adopted the fair value method defined in SFAS No. 123, "Accounting for Stock-Based Compensation," in accounting for its stock option plans. SFAS No. 123 indicates that the fair value method is the preferable method of accounting, and the Company has elected to apply it for all options granted after its emergence from bankruptcy on August 31, 2002. On July 1, 2005 the Company adopted SFAS No. 123R, which was substantially similar to SFAS No. 123. (See Note 10).

(l) 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.

(m) 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.

(n) 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 \$9.4 million as of June 30, 2009. 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 financial statements do not include any adjustments that might result from the outcome of these uncertainties.

(o) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), which provides criteria for the

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(3) Recent Accounting Pronouncements (continued)

recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2008. The Company adopted the FASB Interpretation No. 48 for the year ended June 30, 2008. The adoption of FASB Interpretation No. 48 did not have a material impact on the consolidated financial condition or its results of operations.

On July 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands financial statement disclosure requirements for fair value measurements. The Company’s adoption of SFAS 157 was limited to its financial assets and financial liabilities, as permitted by FASB Staff Position No. 157-2, Effective Date of FASB Statement No. 157. The Company does not have any nonfinancial assets or nonfinancial liabilities that it recognizes or discloses at fair value in its financial statements on a recurring basis. The implementation of the fair value measurement guidance of SFAS 157 did not result in any material changes to the carrying values of the Company’s financial instruments on its consolidated balance sheets. SFAS 157 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. SFAS 157 specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The Company determines fair value based on cost or income approach valuation techniques in which one or more significant inputs or significant value drivers are unobservable (level 3 hierarchy). Unobservable inputs are valuation technique inputs that reflect the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(3) Recent Accounting Pronouncements (continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs	
	Investment in Capital Financial Holdings 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 income	(214)	(77)
Balance at June 30, 2009	\$ 1,171	\$ 890

The Company's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, accrued expenses, and long-term debt. The Company's nonfinancial assets that it recognizes or discloses at fair value in its financial statements on a non-recurring basis include intangible assets and property and equipment. The fair values for these assets and liabilities are evaluated with an annual impairment test.

(4) Property and Equipment

Property and equipment consists of the following at June 30, 2009 and 2008, respectively (in thousands):

	Years of Useful life	June 30, 2009	June 30, 2008
Automobiles	2-3	\$ 84	\$ 116
Furniture and equipment	5-7	1,780	1,546
Leasehold improvements	3-10	1,524	1,236
Buildings	31.5	1,266	1,266
Land		605	605
Construction in progress		53	46
		5,312	4,815
Less: accumulated depreciation and amortization		(1,814)	(1,458)
		\$ 3,498	\$ 3,357

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(4) Property and Equipment (continued)

Construction in progress consisted of renovations to retail stores and the purchase and installation of computer software at June 30, 2009 and 2008, respectively. Depreciation expense was \$578,000 and \$514,000, respectively, for the years ended June 30, 2009 and 2008.

(5) Intangible Assets

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

Asset	<u>Estimated Useful Life</u>	<u>Initial Valuation</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
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>

Intangible assets are summarized as follows at June 30, 2008 (in thousands):

Asset	<u>Estimated Useful Life</u>	<u>Initial Valuation</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Bond Issuance Costs	10 Years	\$ 1,893	\$ (586)	\$ 1,307
Loan Origination Fees	3 – 5 Years	143	(139)	4
		<u>\$ 2,036</u>	<u>\$ (725)</u>	<u>\$ 1,311</u>

The loan origination fees are included in other assets. Amortization expense of \$204,000 and \$212,000 is included in interest expense for the years ended June 30, 2009 and 2008, respectively. Estimated amortization expense for the next five years is as follows (in thousands):

For the Year Ending June 30,	<u>Amount</u>
2010	\$ 205
2011	205
2012	205
2013	204
2014	204
Thereafter	83
	<u>\$ 1,106</u>

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(6) 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"), in an amount up to \$4,750,000, which bears interest at the prevailing prime rate plus 2.0% (5.25% at June 30, 2009), and matures on June 17, 2010. The Bank Line of Credit is an asset-based loan with advances thereunder based on PawnMart's eligible accounts receivable and inventory and includes a \$250,000 capital expenditure facility of which the Company has borrowed \$24,000 as of June 30, 2009. The Bank Line of Credit is collateralized by substantially all of the unencumbered assets of PawnMart and is guaranteed by the Company. 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. At June 30, 2009 and 2008, an additional \$808,000 and \$1,892,000, respectively, was available to borrow pursuant to the available borrowing base, as defined in the line of credit agreement. The Company was in compliance with the certain financial ratios under the Bank Line of Credit at June 30, 2009.

(7) Notes Payable

Notes payable consist of the following at June 30, 2009 and 2008, respectively (in thousands):

	June 30, 2009	June 30, 2008
Note payable for 190,000 shares of TS Liquidating Company, Inc. stock financed by seller, bearing interest at 7.25%	\$ -	\$ 175
8% limited recourse secured convertible subordinated notes, bearing interest at 8% payable monthly, to mature December 31, 2014, collateralized by the common stock of PawnMart, net of discount of \$64 and \$83 at June 30, 2009 and 2008, respectively	19,936	19,917
	19,936	20,092
Less: current maturities	-	(175)
Long term notes payable	\$ 19,936	\$ 19,917

As of June 30, 2006, the Company had completed the private placement of \$20,000,000 of 8% Limited Recourse Secured Convertible Subordinated Notes ("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, 2008. 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 Credit Facility.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(7) Notes Payable (continued)

The Company had paid \$1,800,000 in commissions and issued 200,000 Selling Agent's Warrants. The Selling Agent's warrants are valued at \$0.62 each for a total of \$124,000. Such amounts are included as a direct increase to stockholders' equity.

As of June 30, 2009 annual maturities of the outstanding long-term debt for each of the five years after June 30, 2009 are as follows (in thousands):

2010	\$ -
2011	-
2012	-
2013	-
2014	-
Thereafter.....	<u>19,936</u>
	<u>\$ 19,936</u>

(8) 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, 2009 and 2008 are presented below (in thousands):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 6,413	\$ 6,125
Capital loss carryforward	3,285	3,067
Property and equipment	(104)	89
Inventories	70	65
Intangible assets	40	36
Total gross deferred tax assets	<u>9,704</u>	<u>9,382</u>
Less valuation allowance	<u>(9,704)</u>	<u>(9,382)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The provisions for income taxes differ from amounts determined by applying the expected federal statutory tax rate to income primarily from continuing operations before income taxes due to effect of preferred dividends, state and local tax rates for unconsolidated subsidiaries, and changes in tax valuation allowances. At June 30, 2009 and 2008, the Company has federal and state net operating loss carryforwards of approximately \$15,658,000 and \$14,966,000, respectively, which expire from 2013 to 2028, and a net capital loss carryforward of \$8,082,000, which expires from 2010 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 carryforward, its future availability, or any limitation on the utilization of the net operating loss carryforward has not been obtained by management. Deferred tax valuation allowances of \$9,704,000 and \$9,382,000 offset deferred tax assets at June 30, 2009 and 2008, respectively, based on management's determination that it is more likely than not that such amounts may not be subsequently realized.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(9) 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, 2009 and 2008, 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 paid a dividends totaling \$43,000 and \$34,000 to the holders of Series A Preferred Stock and Series B Preferred Stock, respectively, for the year ended June 30, 2009. Unpaid dividends accrue at a rate of \$0.25 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. As of June 30, 2009, the Company accrued \$219,000 for unpaid dividends to the holders of Series A Preferred Stock and Series B Preferred Stock. 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.

Redemption. The Company is required to redeem, 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 is 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, 2009, 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.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(9) Equity (continued)

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.

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 per share 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 per share 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 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 2003 and 2005 Stock Purchase Plans.

During Fiscal 2008, 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 \$48,000 in net proceeds from the sale of 47,846 shares of Common Stock to current and former employees pursuant to 2005 Stock Purchase Plan.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(9) Equity (continued)

Treasury Stock. The Company purchased 40,500 shares at a price of \$0.15 per common share for a total of \$7,000 during Fiscal 2009. No shares of Common Stock were purchased during Fiscal 2008.

(10) 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- and \$44,000 of compensation expense for options granted for the years ended June 30, 2009 and 2008, respectively.

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

	<u>Options Outstanding</u>		<u>Weighted average remaining contractual life</u>
	<u>Number of Underlying Shares</u>	<u>Exercise Price</u>	
Outstanding at June 30, 2006	220,000	\$ 1.48	5.6 years
Granted.....	40,000	\$ 1.65	6.3 years
Exercised.....	—	—	
Forfeited/Cancelled	—	—	
Outstanding at June 30, 2007	<u>260,000</u>	<u>\$ 1.51</u>	5.9 years
Granted.....	40,000	\$ 1.10	8.6 years
Exercised.....	—	—	
Forfeited/Cancelled	—	—	
Outstanding at June 30, 2008	<u>300,000</u>	<u>\$ 1.45</u>	6.3 years
Outstanding at June 30, 2009	<u>300,000</u>	<u>\$ 1.45</u>	
Exercisable at June 30, 2009	<u>300,000</u>	<u>\$ 1.45</u>	
Exercisable at June 30, 2008	<u>300,000</u>	<u>\$ 1.45</u>	

There were no options granted during 2009 for shares of the Company’s common stock. The weighted average fair value of the options granted during 2008 was \$1.09 per common share. The Company used the Black-Sholes option pricing model to determine the fair value of all options granted during 2008, which were immediately exercisable when granted. 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. The fair value of the 2008 options was estimated at the date of grant using the following assumptions: risk-free rate of 3.39%, no dividend yield, 159% volatility in the stock price and weighted average expected lives of 120 months for 2008.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

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

The Company adopted its 2003 Stock Incentive Plan (the “Incentive Plan”) effective January 1, 2003. A total of 325,000 shares 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, 2009 and 2008, 154,363 and 74,856 shares, respectively, 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 director to purchase Common Stock at discount of 15% to the fair market price. The Company recognized \$3,000 and \$9,000 in compensation expense for Fiscal 2009 and 2008, respectively, for Common Stock purchases pursuant to the Stock Purchase Plan. As of June 30, 2009 and 2008, 250,000 and 216,269 shares, respectively, have been issued under the Stock Purchase Plan.

The 200,000 warrants issued in connection with the Convertible Notes are exercisable 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 debt 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 during 2006. 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.

(11) Investments

During Fiscal 2009 and 2008, the Company sold bond investments with a cost basis of \$17,000 and \$2,743,000 for \$7,000 and \$2,523,000, respectively; recognizing a loss on the sales of \$10,000 and \$220,000. Management determined that the value of certain bond investments were permanently impaired and recognized an impairment loss of \$563,000 and \$2,109,000 for the years ended June 30, 2009 and 2008, respectively, in accordance with FAS 115, “Accounting for Certain Investments in Debt and Equity Securities.”

As of June 30, 2009 and 2008, the Company’s investments consisted of (in thousands):

<u>As of June 30, 2009</u>	<u>Cost</u>	<u>Unrealized Loss</u>	<u>Realized 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>

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(11) Investments (continued)

<u>As of June 30, 2008</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Realized Loss</u>	<u>Market Value</u>
Bonds, maturing in:				
2009	\$ -	\$ -	\$ -	\$ -
2010	-	-	-	-
2011	-	-	-	-
Thereafter	3,079	(155)	(2,109)	815
Total	<u>\$ 3,079</u>	<u>\$ (155)</u>	<u>\$ (2,109)</u>	<u>\$ 815</u>

(12) Derivative Instruments

The Company entered into futures contracts in September 2005 to hedge the value of its gold jewelry inventories at a price of \$528.70 per ounce, which allowed the Company to consistently lend on jewelry pawn loans. In June 2006, management determined to close out and eliminate its exposure on the futures contracts while it started liquidating excess gold jewelry inventory. The Company purchased a total of sixty contracts expiring in December 2007 to offset sixty contracts previously sold, which expired in December 2008. In November 2007, the Company closed out its position in the sixty contracts that expired in December 2008. The Company recognized a gain of \$8,000 for the year ended June 30, 2008. Accordingly, the Company did not apply hedge accounting under SFAS No. 133.

(13) Investments in TS Liquidating Company, Inc. and Capital Financial Holdings, Inc.

(a) Investment in TS Liquidating Company, Inc.

As of July 1, 2006, the Company owned 17.69% of the common stock of TS Liquidating Company, Inc., (“TS Liquidating”) formerly American IronHorse Motorcycle Company, Inc., and accounted for this investment as a non-current asset under the equity method. TS Liquidating filed for protection under the U.S. bankruptcy code in March 2008. Substantially all of TS Liquidating’s assets were sold in June 2008. The Company did not receive any proceeds from the liquidation of TS Liquidating’s assets.

(b) Investment in Capital Financial Holdings, Inc.

The Company reported its investment in the common stock of Capital Financial Holdings Inc. (formerly Integrity Mutual Funds, Inc.) (“CFH”) at market value of \$366,000 and \$582,000 as of June 30, 2009 and 2008, respectively. The Company owned 12.13% of the common stock of CFH as of June 30, 2009 and 2008, respectively, and accounts for this investment as a non-current asset.

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 Integrity.

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%, 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.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(13) Investments in TS Liquidating Company, Inc. and Capital Financial Holdings, Inc. (continued)

(b) Investment in Capital Financial Holdings, Inc.

The Promissory Note is automatically convertible into common shares of Integrity on the foregoing basis upon the earlier to occur of a sale of Integrity or maturity of the Promissory Note.

In accordance with Financial Accounting Standard 115 (“FAS 115”), the Company reported the investments in the Preferred Shares and the Promissory Note on a fair market value basis. The Company reported the Promissory Note at fair market based on the fair market 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 market 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 options. 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 3.53%, 97.0% volatility in the stock price and weighted average expected life of 120 months for the options. The Company reports its investments in CFH as non-current assets.

The Company recognized cumulative net unrealized losses of \$782,000 and \$275,000 to reflect the fair market value of this investment as of June 30, 2009 and 2008, respectively. The Company recorded unrealized losses of \$507,000 and \$2,704,000, respectively, to reflect the fair market value of this investment during Fiscal 2009 and 2008.

The table below summarizes the investments in CFH as of June 30, 2009 and 2008 (in thousands):

<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	950	(60)	890
Total	<u>\$ 3,209</u>	<u>\$ (782)</u>	<u>\$ 2,427</u>
<u>As of June 30, 2008</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
Common Stock	\$ 734	\$ (152)	\$ 582
Preferred Stock	1,525	(140)	1,385
Promissory Note	950	17	967
Total	<u>\$ 3,209</u>	<u>\$ (275)</u>	<u>\$ 2,934</u>

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(13) Investments in TS Liquidating Company, Inc. and Capital Financial Holdings, Inc. (continued)

Mr. Jeffrey A. Cummer, an officer and director of the Company, has served as a director of CFH since June 2006. SMH Capital Advisors, Inc., a related party, provides investment advisory services to CFH and employs Mr. Cummer and Dwayne A. Moyers as officers. SMH was paid investment advisory fees of \$0 and \$545,741 from CFH for the years ended June 30, 2009 and 2008, respectively.

(14) 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 \$1,729,000 and \$1,551,000 and for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2009 are (in thousands):

2010	\$ 1,609
2011	1,357
2012	1,259
2013	1,113
2014	499
Thereafter	<u>165</u>
Total minimum lease payments	<u>\$ 6,002</u>

The Company is involved in various claims and lawsuits arising in the ordinary course of business. Management is not aware of any claims or lawsuits and, if there were any, in the opinion of management, the resolution of these matters would not have a material adverse effect on the Company's consolidated financial position or results of operations.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statement
June 30, 2009 and 2008

(15) 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. Advisors directs the investment of the Company's available funds in marketable securities and other investment opportunities. Operating information for the years ended June 30, 2009 and 2008 is set forth below (in thousands):

<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	546	51	597
Operating income (loss)	<u>1,556</u>	<u>(399)</u>	<u>1,157</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)
Net income (loss) before 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>

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2009 and 2008

(15) Operating Segment Information (continued)

<u>Year Ended June 30, 2008</u>	<u>Pawn Lending</u>	<u>Investment, Management and Advisory Services</u>	<u>Consolidated</u>
Revenues:			
Merchandise sales	\$ 15,556	\$ -	\$ 15,556
Pawn service charges and related fee income	5,844	-	5,844
Other	13	-	13
Total Revenues	<u>21,413</u>	<u>-</u>	<u>21,413</u>
Expenses:			
Cost of sales	9,918	-	9,918
Store operating expenses	7,276	-	7,276
Corporate administrative expenses	2,696	539	3,235
Depreciation and amortization	473	60	533
Operating income (loss)	<u>1,050</u>	<u>(599)</u>	<u>451</u>
Interest and dividend income	155	348	503
Interest expense	(411)	(2,054)	(2,465)
Loss on investments	-	(2,329)	(2,329)
Loss on disposition of assets	(131)	-	(131)
Gain on futures contracts	8	-	8
Net income (loss) before taxes and impairment loss	<u>\$ 671</u>	<u>\$ (4,634)</u>	<u>\$ (3,963)</u>
Total Assets	<u>\$ 14,096</u>	<u>\$ 5,217</u>	<u>\$ 19,313</u>

(16) Related Party Transactions

Sanders Morris Harris, Inc. (“SMH”), a related party, employs Jeffrey A. Cummer as an officer of a subsidiary and executes security transactions for the Company. Mr. Cummer is also an officer and director of the Company. Commissions paid to SMH were \$436 and \$1,500 for the years ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, the Company owned 1,663,642 shares of CFH common stock. SMH, a related party, provides investment advisory services to CFH and was paid \$0 and \$545,731 in advisory fees from CFH for the years ended June 30, 2009 and 2008, respectively. PawnMart, Inc., a wholly owned subsidiary of the Company 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.

Massie Capital, Inc., the selling agent for the Company’s 8% Limited Recourse Secured Convertible Notes, earned commissions totaling \$1,800,000 and was granted a total of 200,000 warrants on the sale of \$20,000,000 of Convertible Notes. William R. Massie, a director of the Company, is a principal of Massie Capital, Inc. and is a former director of TS Liquidating. Massie Capital, Inc. paid to SMH, \$1,156,890 in selling commissions on the sale of \$16,527,000 of Convertible Notes through June 30, 2006 and was granted 128,420 warrants for the purchase of shares of the Company’s Common Stock at a price of \$11.00 per share in connection with the Convertible Note sales.

XPONENTIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2009 and 2008

(16) Related Party Transactions (continued)

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 \$70,000 and \$36,000 for the years ended June 30, 2009 and 2008, respectively.

(17) 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.

(18) Subsequent Events

The Company evaluated subsequent events through September 24, 2009, when these financial statements were available to be issued. We are not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on our Consolidated Financial Statements.