

**XPONENTIAL, INC.**

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

	March 31, 2009	June 30, 2008
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 457	\$ 1,070
Investments-marketable securities	192	815
Accounts and short term notes receivable	327	340
Pawn service charges receivable	463	482
Pawn loans receivable	4,210	4,386
Inventories	4,009	4,245
Prepaid expenses and other current assets	393	278
Total current assets	10,051	11,616
Property and equipment, net	3,640	3,357
Investment in Integrity Mutual Funds, Inc.	2,651	2,934
Note issuance costs, net of amortization of \$739 and \$586 as of March 31, 2009 and June 30, 2008, respectively	1,154	1,307
Other assets, net of amortization of \$43 and \$140 as of March 31, 2009 and June 30, 2008, respectively	107	99
Total assets	\$ 17,603	\$ 19,313
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Bank line of credit	\$ 2,046	\$ 2,352
Current maturities of notes payable	-	175
Accounts payable and accrued expenses	288	341
Accrued payroll and payroll taxes	400	275
Deferred rent	11	18
Deferred revenue	327	297
Accrued interest	155	156
Redeemable Preferred Stock – Series A	-	500
Total current liabilities	3,227	4,114
Long term liabilities:		
8% limited recourse convertible notes, net of discount of \$68 and \$83 at March 31, 2009 and June 30, 2008, respectively	19,932	19,917
Deferred rent	47	30
Total long term liabilities	19,979	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 March 31, 2009 and June 30, 2008, respectively	3,358	2,858
Total liabilities	26,564	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 March 31, 2009 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 March 31, 2009 and June 30, 2008, respectively	28	26
Additional paid-in capital	6,272	6,253
Accumulated deficit	(13,895)	(13,413)
Accumulated other comprehensive income (loss)	(1,325)	(437)
Less treasury stock, at cost; 65,500 and 25,000 common shares at March 31, 2009 and June 30, 2008, respectively	(46)	(40)
Total stockholders' deficit	(8,961)	(7,606)
Total liabilities and stockholders' deficit	\$ 17,603	\$ 19,313

**XPONENTIAL, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations  
(Unaudited)

(In thousands)

	<u>Nine Months Ended March 31, 2009</u>	<u>Nine Months Ended March 31, 2008</u>
Revenues:		
Merchandise sales	\$ 14,530	\$ 11,923
Pawn service charges and related fee income	5,024	4,386
Total revenues	<u>19,554</u>	<u>16,309</u>
Cost of sales	<u>9,099</u>	<u>7,713</u>
Gross profit	10,455	8,596
Expenses:		
Store operating expenses	6,499	5,284
Corporate administrative expenses	2,433	2,367
Depreciation and amortization	447	384
Total expenses	<u>9,379</u>	<u>8,035</u>
Operating income (loss)	1,076	561
Interest and dividend income	141	485
Interest expense including Series A preferred dividends of \$43 and \$145 for the nine months ended March 31, 2009 and 2008, respectively	(1,646)	(1,904)
Gain on futures contracts	-	8
Gain (loss) on disposition of assets	(15)	(170)
Net loss before taxes	<u>(444)</u>	<u>(1,020)</u>
Income tax expense	-	-
Loss before loss from discontinued operations	<u>(444)</u>	<u>(1,020)</u>
Loss from discontinued operations	-	(117)
Net loss	<u>(444)</u>	<u>(1,137)</u>
Preferred stock dividend requirement	(38)	(93)
Net loss allocable to common stockholders	<u>\$ (482)</u>	<u>\$ (1,230)</u>

**XPONENTIAL, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations  
(Unaudited)

(In thousands)

	<u>Three Months Ended March 31, 2009</u>	<u>Three Months Ended March 31, 2008</u>
Revenues:		
Merchandise sales	\$ 4,583	\$ 4,895
Pawn service charges and related fee income	1,731	1,422
Total revenues	<u>6,314</u>	<u>6,317</u>
Cost of sales	<u>2,673</u>	<u>2,964</u>
Gross profit	3,641	3,353
Expenses:		
Store operating expenses	2,309	1,970
Corporate administrative expenses	917	860
Depreciation and amortization	164	134
Total expenses	<u>3,390</u>	<u>2,964</u>
Operating income (loss)	251	389
Interest and dividend income	50	107
Interest expense including Series A preferred dividends of \$-0- and \$48 for the three months ended March 31, 2009 and 2008, respectively	(519)	(592)
Gain (loss) on disposition of assets	(11)	(194)
Loss before loss from discontinued operations	<u>(229)</u>	<u>(290)</u>
Loss from discontinued operations	-	(3)
Net loss before taxes	<u>(229)</u>	<u>(293)</u>
Income tax expense	-	-
Net loss	<u>(229)</u>	<u>(293)</u>
Preferred stock dividend requirement	-	(30)
Net loss allocable to common stockholders	<u>\$ (229)</u>	<u>\$ (323)</u>

## XPONENTIAL, INC. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the Nine Months Ended March 31, 2009	For the Nine Months Ended March 31, 2008
Cash flows from operating activities:		
Net loss	\$ (444)	\$ (1,137)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	447	384
Non cash compensation expense	4	14
Non-cash interest expense	-	8
Loss on disposition of assets	15	261
Amortization of debt issue costs	153	153
Changes in operating assets and liabilities:		
Accounts receivable	13	(596)
Pawn service charges receivable	19	86
Inventories, net	236	530
Prepaid expenses and other assets	(123)	(134)
Accounts payable and accrued liabilities	109	142
Net cash used in operating activities	429	(289)
Cash flows from investing activities:		
Pawn loans made	(14,047)	(11,913)
Pawn loans redeemed	6,497	6,299
Inventory acquired from loan forfeitures	7,726	6,392
Proceeds from sale of investments	6	2,474
Purchases of property and equipment	(715)	(691)
Other assets	-	6
Net cash provided by (used in) investing activities	(533)	2,567
Cash flows from financing activities:		
Borrowings on notes payable	12,463	9,621
Principal payments on notes payable	(12,944)	(11,262)
Proceeds from issuance of common stock	16	42
Purchase of treasury stock	(6)	-
Dividends paid	(38)	(93)
Net cash provided by (used in) financing activities	(509)	(1,692)
Net increase (decrease) in cash and cash equivalents	(613)	586
Cash and cash equivalents at beginning of period	1,070	1,036
Cash and cash equivalents at end of period	\$ 457	\$ 1,622
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 1,492	\$ 1,741

## XPONENTIAL, INC. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Cash flows from operating activities:		
Net loss	\$ (229)	\$ (293)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	164	134
Non cash compensation expense	-	-
Non-cash interest expense	-	-
Loss on disposition of assets	11	194
Amortization of debt issue costs	51	51
Changes in operating assets and liabilities:		
Accounts receivable	682	(87)
Pawn service charges receivable	36	76
Inventories, net	196	701
Prepaid expenses and other assets	(72)	(43)
Accounts payable and accrued liabilities	(69)	142
Net cash used in operating activities	770	875
Cash flows from investing activities:		
Pawn loans made	(4,287)	(3,412)
Pawn loans redeemed	2,477	2,188
Inventory acquired from loan forfeitures	2,130	1,926
Proceeds from sale of investments	6	256
Purchases of property and equipment	(80)	(286)
Other assets	-	-
Net cash provided by (used in) investing activities	246	672
Cash flows from financing activities:		
Borrowings on notes payable	4,068	3,419
Principal payments on notes payable	(5,372)	(5,265)
Proceeds from issuance of common stock	-	11
Purchase of treasury stock	-	-
Dividends paid	-	(30)
Net cash provided by (used in) financing activities	(1,304)	(1,865)
Net increase (decrease) in cash and cash equivalents	(288)	(318)
Cash and cash equivalents at beginning of period	745	1,940
Cash and cash equivalents at end of period	\$ 457	\$ 1,622
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 474	\$ 556

## **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 nine months ended March 31, 2009 and 2008 is set forth below:

(In thousands)

	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Nine Months Ended March 31, 2009			
<b>Revenue:</b>			
Merchandise sales	\$ 14,530	-	14,530
Pawn service charges and related fee income	5,024	-	5,024
<b>Total Revenue</b>	<u>19,554</u>	<u>-</u>	<u>19,554</u>
<b>Expenses:</b>			
Cost of sales	9,099	-	9,099
Store operating expenses	6,499	-	6,499
Corporate administrative expenses	2,138	295	2,433
Depreciation and amortization	402	45	447
<b>Operating income (loss)</b>	<u>1,416</u>	<u>(340)</u>	<u>1,076</u>
Interest and dividend income	114	27	141
Interest expense	(246)	(1,400)	(1,646)
Loss on disposition of assets	(4)	(11)	(15)
<b>Net loss before taxes</b>	<u>\$ 1,280</u>	<u>(1,724)</u>	<u>(444)</u>
<b>Total Assets</b>	<u>\$ 13,911</u>	<u>\$ 3,692</u>	<u>\$ 17,603</u>

(In thousands)

	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Nine Months Ended March 31, 2008			
<b>Revenue:</b>			
Merchandise sales	\$ 11,923	\$ -	\$ 11,923
Pawn service charges and related fee income	4,386	-	4,386
<b>Total Revenue</b>	<u>16,309</u>	<u>-</u>	<u>16,309</u>
<b>Expenses:</b>			
Cost of sales	7,713	-	7,713
Store operating expenses	5,284	-	5,284
Corporate administrative expenses	1,966	401	2,367
Depreciation and amortization	339	45	384
<b>Operating income (loss)</b>	<u>1,007</u>	<u>(446)</u>	<u>561</u>
Interest and dividend income	130	355	485
Interest expense	(346)	(1,558)	(1,904)
Gain on change of futures contracts value	8	-	8
Loss on disposition of assets	-	(170)	(170)
<b>Income (loss) from continuing operations</b>	<u>799</u>	<u>(1,819)</u>	<u>(1,020)</u>
Loss from discontinued operations	(117)	-	(117)
<b>Net income (loss)</b>	<u>\$ 682</u>	<u>\$ (1,819)</u>	<u>\$ (1,137)</u>
<b>Total Assets</b>	<u>\$ 13,854</u>	<u>\$ 6,615</u>	<u>\$ 20,469</u>

**XPONENTIAL, INC. AND SUBSIDIARIES**

Operating Segment Information

(9) Operating Segment Information (continued)

(In thousands)

For the Three Months Ended March 31, 2009	<u>Pawn Lending</u>	<u>Investment, Management and Advisory Services</u>	<u>Consolidated</u>
<b>Revenue:</b>			
Merchandise sales	\$ 4,583	\$ -	\$ 4,583
Pawn service charges and related fee income	<u>1,731</u>	<u>-</u>	<u>1,731</u>
<b>Total Revenue</b>	6,314	-	6,314
<b>Expenses:</b>			
Cost of sales	2,673	-	2,673
Store operating expenses	2,309	-	2,309
Corporate administrative expenses	841	76	917
Depreciation and amortization	<u>149</u>	<u>15</u>	<u>164</u>
<b>Operating income (loss)</b>	342	(91)	251
Interest and dividend income	38	12	50
Interest expense	(67)	(452)	(519)
Loss on disposition of assets	<u>-</u>	<u>(11)</u>	<u>(11)</u>
<b>Net income (loss)</b>	<u>\$ 313</u>	<u>\$ (542)</u>	<u>\$ (229)</u>
<b>Total Assets</b>	<u>\$ 13,911</u>	<u>\$ 3,692</u>	<u>\$ 17,603</u>

(In thousands)

Three Months Ended March 31, 2008

**Revenue:**

Merchandise sales

\$ 4,895      \$ -      \$ 4,895

Pawn service charges and related fee income

1,422      -      1,422

**Total Revenue**

6,317      -      6,317

**Expenses:**

Cost of sales

2,964      -      2,964

Store operating expenses

1,970      -      1,970

Corporate administrative expenses

720      140      860

Depreciation and amortization

118      16      134

**Operating income (loss)**

545      (156)      389

Interest and dividend income

43      64      107

Interest expense

(87)      (505)      (592)

Loss on disposition of assets

-      (194)      (194)

**Income from continuing operations**

501      (791)      (290)

Loss from discontinued operations

(3)      -      (3)

**Net income (loss)**

\$ 498      \$ (791)      \$ (293)

**Total Assets**

\$ 13,854      \$ 6,615      \$ 20,469