

XPONENTIAL, INC.

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

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

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

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

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

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

XPONENTIAL, INC. AND SUBSIDIARIES

Operating Segment Information

The Company has two reportable business segments; one in the pawn lending industry and one for its investment, management and advisory services. PawnMart operates 25 pawn shops in Georgia and North Carolina. Xponential Advisors directs the investment of the Company's available funds in marketable securities and other investment opportunities. Operating segment data for the three and six months ended December 31, 2008 and 2007 is set forth below:

(In thousands)

Six Months Ended December 31, 2008

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

(In thousands)

Six Months Ended December 31, 2007

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

XPONENTIAL, INC. AND SUBSIDIARIES

Operating Segment Information

(9) Operating Segment Information (continued)

(In thousands)

| 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 and cumulative effect of changes in accounting principle | \$ 625 | \$ (565) | \$ 60 |
| Total Assets | \$ 15,243 | \$ 3,983 | \$ 19,226 |

(In thousands)

Three Months Ended December 31, 2007

Revenue:

| | Pawn Lending | Investment, Management and Advisory Services | Consolidated |
|---|-----------------|--|--------------|
| Merchandise sales | \$ 4,480 | \$ - | \$ 4,480 |
| Pawn service charges and related fee income | 1,452 | - | 1,452 |
| Total Revenue | <u>5,932</u> | <u>-</u> | <u>5,932</u> |

Expenses:

| | | | |
|-----------------------------------|------------|--------------|------------|
| Cost of sales | 2,825 | - | 2,825 |
| Store operating expenses | 1,734 | - | 1,734 |
| Corporate administrative expenses | 667 | 106 | 773 |
| Depreciation and amortization | 114 | 16 | 130 |
| Operating income (loss) | <u>592</u> | <u>(122)</u> | <u>470</u> |

| | | | |
|---|---------------|-----------------|----------------|
| Interest and dividend income | 45 | 139 | 184 |
| Interest expense | (130) | (528) | (658) |
| Loss on change of futures contracts value | (2) | - | (2) |
| Gain on sale of marketable securities | - | 24 | 24 |
| Store closing expense | (114) | - | (114) |
| Net loss before taxes | <u>\$ 391</u> | <u>\$ (487)</u> | <u>\$ (96)</u> |

| | | | |
|---------------------|------------------|-----------------|------------------|
| Total Assets | <u>\$ 15,687</u> | <u>\$ 7,949</u> | <u>\$ 23,636</u> |
|---------------------|------------------|-----------------|------------------|