

XPONENTIAL, INC.

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

	September 30, 2009	June 30, 2009
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 851	\$ 627
Investments-marketable securities	409	341
Accounts and short term notes receivable	352	119
Pawn service charges receivable	616	584
Pawn loans receivable	5,599	5,308
Inventories	4,280	4,032
Prepaid expenses and other current assets	457	426
Total current assets	12,564	11,437
Property and equipment, net	3,553	3,498
Investment in Capital Financial Holdings, Inc.	2,444	2,427
Note issuance costs, net of amortization of \$857 and \$790 as of September 30, 2009 and June 30, 2009, respectively	1,052	1,103
Other assets, net of amortization of \$141 and \$140 as of September 30, 2009 and June 30, 2009, respectively	147	116
Total assets	\$ 19,760	\$ 18,581
 <u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Bank line of credit	\$ 4,052	\$ 3,442
Accounts payable and accrued expenses	772	390
Accrued payroll and payroll taxes	399	325
Deferred rent	1	1
Deferred revenue	304	319
Accrued interest	166	160
Redeemable preferred stock – Series A; par value \$0.01; 5% cumulative dividend, liquidation preference \$5.00 per share; 671,620 shares issued at September 30, 2009 and June 30, 2009, respectively	3,358	3,358
Total current liabilities	9,052	7,995
Long term liabilities:		
8% limited recourse convertible notes, net of discount of \$59 and \$64 at September 30, 2009 and June 30, 2009, respectively	19,941	19,936
Cumulative preferred stock dividend payable	292	219
Deferred rent	74	74
Total long term liabilities	20,307	20,229
Total liabilities	29,359	28,224
Stockholders' equity (deficit):		
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 September 30, 2009 and June 30, 2009, respectively	5	5
Common stock - \$0.01 par value; 10,000,000 shares authorized, 2,750,411 shares issued as of September 30, 2009 and June 30, 2009	27	27
Additional paid-in capital	6,272	6,272
Accumulated deficit	(15,120)	(15,062)
Accumulated other comprehensive income (loss)	(736)	(838)
Less treasury stock, at cost; 65,500 common shares at September 30, 2009 and June 30, 2009, respectively	(47)	(47)
Total stockholders' equity (deficit)	(9,599)	(9,643)
Total liabilities and stockholders' equity (deficit)	\$ 19,760	\$ 18,581

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

(In thousands)

	<u>Three Months Ended September 30, 2009</u>	<u>Three Months Ended September 30, 2008</u>
Revenues:		
Merchandise sales	\$ 5,071	\$ 4,213
Pawn service charges and related fee income	2,050	1,614
Total revenues	<u>7,121</u>	<u>5,827</u>
Cost of sales	<u>3,339</u>	<u>2,609</u>
Gross profit	3,782	3,218
Expenses:		
Store operating expenses	2,244	2,011
Corporate administrative expenses	871	812
Depreciation and amortization	159	138
Total expenses	<u>3,274</u>	<u>2,961</u>
Operating income	508	257
Interest and dividend income	48	48
Interest expense including Series A preferred dividends of \$41 and \$42 for the three months ended September 30, 2009 and 2008, respectively	(581)	(580)
Net loss before taxes	<u>(25)</u>	<u>(275)</u>
Income tax expense	<u>-</u>	<u>-</u>
Net loss	(25)	(275)
Preferred stock dividend requirement	(31)	(31)
Net loss allocable to common stockholders	<u>\$ (56)</u>	<u>\$ (306)</u>

XPONENTIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008
Cash flows from operating activities:		
Net loss	\$ (25)	\$ (275)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	159	138
Non cash compensation expense	-	4
Non-cash interest expense	1	-
Amortization of debt issue costs	51	51
Changes in operating assets and liabilities:		
Accounts receivable	(233)	(369)
Pawn service charges receivable	(32)	(48)
Inventories, net	(248)	(613)
Prepaid expenses and other current assets	(31)	(8)
Accounts payable and accrued liabilities	520	192
Net cash provided by (used in) operating activities	162	(928)
Cash flows from investing activities:		
Pawn loans made	(5,639)	(5,184)
Pawn loans redeemed	2,521	1,991
Inventory acquired from loan forfeitures	2,827	2,745
Purchases of property and equipment	(210)	(257)
Other assets	(47)	-
Net cash used in investing activities	(548)	(705)
Cash flows from financing activities:		
Borrowings on notes payable	4,529	4,256
Principal payments on notes payable	(3,919)	(2,849)
Dividends paid	-	(31)
Net cash provided by financing activities	610	1,376
Net increase (decrease) in cash and cash equivalents	224	(257)
Cash and cash equivalents at beginning of period	627	1,070
Cash and cash equivalents at end of period	\$ 851	\$ 813
Supplemental disclosures of cash flow information -		
Cash paid for interest	\$ 523	\$ 519

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 provides directs the investment of the Company's available funds in marketable securities and other investment opportunities. Operating segment data for the three months ended September 30, 2009 and 2008 is set forth below:

(In thousands)

Three Months Ended September 30, 2009	Pawn Lending	Investment, Management and Advisory Services	Consolidated
Revenue:			
Merchandise sales	\$ 5,071	-	5,071
Pawn service charges and related fee income	2,050	-	2,050
Total Revenue	<u>7,121</u>	<u>-</u>	<u>7,121</u>
Expenses:			
Cost of sales	3,339	-	3,339
Store operating expenses	2,244	-	2,244
Corporate administrative expenses	772	99	871
Depreciation and amortization	154	5	159
Operating income (loss)	<u>612</u>	<u>(104)</u>	<u>508</u>
Interest and dividend income	38	10	48
Interest expense	(89)	(492)	(581)
Net loss before taxes	<u>\$ 561</u>	<u>(586)</u>	<u>(25)</u>
Total Assets	<u>\$ 17,597</u>	<u>\$ 2,163</u>	<u>\$ 19,760</u>

(In thousands)

	Pawn Lending	Investment, Management and Advisory Services	Consolidated
For the Three Months Ended September 30, 2008			
Revenue:			
Merchandise sales	\$ 4,213	\$ -	\$ 4,213
Pawn service charges and related fee income	1,614	-	1,614
Total Revenue	<u>5,827</u>	<u>-</u>	<u>5,827</u>
Expenses:			
Cost of sales	2,609	-	2,609
Store operating expenses	2,011	-	2,011
Corporate administrative expenses	695	117	812
Depreciation and amortization	123	15	138
Operating income (loss)	<u>389</u>	<u>(132)</u>	<u>257</u>
Interest and dividend income	38	10	48
Interest expense	<u>(84)</u>	<u>(496)</u>	<u>(580)</u>
Net income (loss) before taxes and cumulative effect of changes in accounting principle	<u>\$ 343</u>	<u>\$ (618)</u>	<u>\$ (275)</u>
Total Assets	<u>\$ 15,867</u>	<u>\$ 4,496</u>	<u>\$ 20,363</u>