

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(Amounts in thousands, except share amounts)**

**ASSETS**

	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$7,548	\$4,664
Accounts receivable	477	1,471
Inventories	6,255	4,796
Prepays and other assets	55	80
Property held for sale	--	1,240
Total current assets	14,335	12,251
Property and equipment, net	23,463	14,827
Restricted cash	--	7,730
Other assets	41	150
Total assets	<u>\$37,839</u>	<u>\$34,958</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Accounts payable and accrued expenses	\$10,667	\$8,724
Current portion of long-term debt	1,082	956
Total current liabilities	11,749	9,680
Long-term debt, net of current portion	8,172	6,606
Deferred rent payable	87	78
Deferred income taxes	2,168	2,469
Total liabilities	22,176	18,833
Shareholders' equity:		
Common stock (\$.01 par value; 30,000,000 shares authorized; 8,640,260 shares issued)	86	86
Additional paid-in capital	11,082	11,082
Retained earnings	8,504	6,365
	19,672	17,533
Less: Treasury stock, at cost (1,294,301 and 261,888 shares, respectively)	(4,009)	(1,408)
Total shareholders' equity	15,663	16,125
Total liabilities and shareholders' equity	<u>\$37,839</u>	<u>\$34,958</u>

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**  
**(Amounts in thousands, except per share amounts)**

	<b>Three-Months Ended</b>	
	<b>March 31,</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Net revenue	\$12,261	\$10,218
Cost of goods sold	<u>5,868</u>	<u>5,282</u>
Gross profit	6,393	4,936
Selling, general and administrative expenses	<u>5,836</u>	<u>5,247</u>
Operating income (loss)	557	(311)
Interest expense	<u>95</u>	<u>117</u>
Income (loss) before provision for income taxes	462	(428)
Income tax (benefit)	<u>263</u>	<u>(116)</u>
Net income (loss)	<u><u>\$ 199</u></u>	<u><u>(\$ 312)</u></u>
Weighted average number of common shares outstanding		
– basic and diluted	7,913	8,378
Net income (loss) per common share - basic and diluted	\$0.03	(\$0.04)

**CALLOWAY'S NURSERY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**(Amounts in thousands)**

	<b>Three-Months Ended</b>	
	<b>March 31,</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Cash flows from operating activities:		
Net income (loss)	\$ 199	(\$ 313)
Adjustments to reconcile net loss to net cash (used for) operating activities:		
Depreciation and amortization	144	131
Deferred income tax	1	(131)
Impairment of property	64	--
Recapitalization expenses	811	--
Net change in operating assets and liabilities	<u>676</u>	<u>(706)</u>
Net cash provided by (used for) operating activities	<u>1,895</u>	<u>(1,019)</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(1,526)</u>	<u>(208)</u>
Net cash (used for) investing activities	<u>(1,526)</u>	<u>(208)</u>
Cash flows from financing activities:		
Net borrowings (repayments) of debt	4,110	(230)
Repurchase of treasury stock	<u>(3,412)</u>	<u>--</u>
Net cash provided by (used for) financing activities	<u>698</u>	<u>(230)</u>
Net increase (decrease) in cash and cash equivalents	1,067	(1,457)
Cash and cash equivalents at beginning of period	<u>6,481</u>	<u>6,121</u>
Cash and cash equivalents at end of period	<u><u>\$7,548</u></u>	<u><u>\$4,664</u></u>