

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

**ASSETS**

	<b>June 30,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$8,803	\$10,499
Accounts receivable	173	209
Inventories	3,927	3,205
Prepays and other assets	209	68
Property held for sale	--	375
Total current assets	13,112	14,356
Property and equipment, net	23,736	20,535
Other assets	41	41
Total assets	<u>\$36,889</u>	<u>\$34,932</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Accounts payable and accrued expenses	\$7,063	\$7,799
Current portion of long-term debt	1,092	914
Total current liabilities	8,155	8,713
Long-term debt, net of current portion	7,901	5,133
Deferred rent payable	94	37
Deferred income taxes	2,167	2,178
Total liabilities	<u>18,317</u>	<u>16,061</u>
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	11,413	9,111
	22,581	20,279
Less: Treasury stock, at cost (1,294,301 and 261,888 shares, respectively)	<u>(4,009)</u>	<u>(1,408)</u>
Total shareholders' equity	<u>18,572</u>	<u>18,871</u>
Total liabilities and shareholders' equity	<u>\$36,889</u>	<u>\$34,932</u>

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

	<b>Six-Months Ended</b>	
	<b>June 30,</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Net revenue	\$32,919	\$32,179
Cost of goods sold	<u>16,280</u>	<u>16,294</u>
Gross profit	16,639	15,585
Selling, general and administrative expenses	<u>11,526</u>	<u>11,952</u>
Operating income	5,113	3,933
Other (income) expense	--	(26)
Interest expense	<u>203</u>	<u>222</u>
Income before provision for income taxes	4,910	3,737
Income tax	<u>1,802</u>	<u>1,304</u>
Net income	<u><u>\$ 3,108</u></u>	<u><u>\$ 2,433</u></u>
Weighted average number of common shares outstanding		
– basic and diluted	7,630	8,378
Net income per common share - basic and diluted	\$0.41	\$0.29

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

	<b>Six-Months Ended</b>	
	<b>June 30,</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
Cash flows from operating activities:		
Net income	\$ 3,108	\$ 2,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	322	272
Deferred income tax	--	(422)
(Gain) loss on disposals and impairments of property	82	(26)
Recapitalization expenses	843	--
Net change in operating assets and liabilities	<u>(443)</u>	<u>1,218</u>
Net cash provided by operating activities	<u>3,912</u>	<u>3,475</u>
Cash flows from investing activities:		
Additions to property and equipment	(1,995)	(7,470)
Decrease in restricted cash from sale of property	--	9,143
Proceeds from disposal of property held for sale	<u>--</u>	<u>891</u>
Net cash provided by (used for) investing activities	<u>(1,995)</u>	<u>2,564</u>
Cash flows from financing activities:		
Net borrowings (repayments) of debt	3,849	(1,661)
Repurchase of treasury stock	<u>(3,444)</u>	<u>--</u>
Net cash provided by (used for) financing activities	<u>405</u>	<u>(1,661)</u>
Net increase in cash and cash equivalents	2,322	4,378
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>\$ 8,803</u></u>	<u><u>\$10,499</u></u>