

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

ASSETS		
	September 30,	September 30,
	2016	2015
Cash and cash equivalents	\$2,881	\$7,503
Accounts receivable	318	267
Inventories	4,546	4,057
Prepays and other assets	53	100
Total current assets	7,798	11,927
Property and equipment, net	23,868	20,526
Other assets	41	121
Total assets	<u>\$31,707</u>	<u>\$32,574</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$3,493	\$3,337
Accrued expenses	2,450	2,546
Accrued income taxes	694	578
Current portion of long-term debt	345	924
Total current liabilities	6,982	7,385
Long-term debt, net of current portion	5,112	4,523
Deferred income taxes	2,205	2,224
Deferred rent payable	98	41
Total liabilities	14,396	14,173
Shareholders' equity:		
Common stock (\$.01 par value; 30,000,000 shares authorized; 8,640,260 shares issued)	86	86
Additional paid-in capital	11,092	11,082
Retained earnings	10,142	8,641
Less: treasury stock	(4,009)	(1,408)
Total shareholders' equity	<u>17,311</u>	<u>18,401</u>
Total liabilities and shareholders' equity	<u>\$31,707</u>	<u>\$32,574</u>

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

	Nine-Months Ended	
	September 30,	
	<u>2016</u>	<u>2015</u>
Net revenue	\$40,370	\$39,317
Cost of goods sold	<u>20,440</u>	<u>20,292</u>
Gross profit	<u>19,930</u>	<u>19,625</u>
Selling, general and administrative expenses	14,886	15,926
Depreciation and amortization	<u>496</u>	<u>406</u>
Operating income	<u>4,548</u>	<u>3,293</u>
Interest expense	276	307
(Gain) loss on asset disposals	81	(47)
Recapitalization expense	862	--
Loss on early extinguishment of debt	<u>416</u>	<u>--</u>
Income before provision for income taxes	2,913	3,033
Income tax	<u>1,077</u>	<u>1,069</u>
Net income	<u>\$ 1,836</u>	<u>\$ 1,964</u>
Weighted average number of common shares outstanding		
– basic and diluted	7,534	8,378
Net income per common share - basic and diluted	\$0.24	\$0.23

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

	Nine-Months Ended	
	September 30,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 1,836	\$ 1,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	496	406
Deferred income tax	37	(422)
(Gain) loss on disposals and impairments of property	81	(47)
Loss on early extinguishment of debt	416	--
Stock-based compensation	10	--
Net change in operating assets and liabilities	<u>(1,474)</u>	<u>(1,010)</u>
Net cash provided by operating activities	<u>1,460</u>	<u>892</u>
Cash flows from investing activities:		
Additions to property and equipment	(2,299)	(7,595)
Decrease in restricted cash from sale of property	--	9,143
Proceeds from disposal of property held for sale	<u>--</u>	<u>1,287</u>
Net cash provided by (used for) investing activities	<u>(2,299)</u>	<u>2,835</u>
Cash flows from financing activities:		
Net borrowings (repayments) of debt	(160)	(2,345)
Repurchase of treasury stock	<u>(2,601)</u>	<u>--</u>
Net cash used for financing activities	<u>(2,761)</u>	<u>(2,345)</u>
Net increase (decrease) in cash and cash equivalents	(3,600)	1,382
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>\$ 2,881</u></u>	<u><u>\$7,503</u></u>