

**Calloway's Nursery, Inc.**  
**Consolidated Statements of Income**  
**(amounts in thousands)**

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net revenue	\$50,843	\$49,960
Cost of goods sold	26,178	25,640
Gross profit	24,665	24,320
Selling, general and administrative expenses	19,787	21,077
Recapitalization expenses	804	131
(Gain) loss on disposal of property	80	(66)
Loss on prepayment of debt	474	--
Net interest expense	361	388
Income before provision for income taxes	3,158	2,788
Income tax expense	1,209	1,161
Net income	\$1,949	\$ 1,627
Weighted average number of common shares outstanding - basic and diluted	7,487	8,378
Net income per common share - basic and diluted	\$0.26	\$0.19

**Calloway's Nursery, Inc.**  
**Consolidated Balance Sheets**  
(amounts in thousands, except share amounts)

**Assets**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 2,945	\$ 6,481
Accounts receivable	151	60
Inventories	3,076	2,486
Prepays	70	72
Total current assets	6,242	9,099
Property and equipment, net	23,878	22,145
Other assets	41	41
Total assets	<u>\$30,161</u>	<u>\$31,285</u>

**Liabilities and Shareholders' Equity**

Accounts payable and accrued expenses	\$4,995	\$ 5,829
Current portion of long-term debt	347	935
Total current liabilities	5,342	6,764
Long-term debt (net of current portion and unamortized debt issuance costs)	5,036	4,209
Deferred rent payable	97	80
Deferred income taxes	2,255	2,167
Total liabilities	12,730	13,220
Commitments and contingencies		
Shareholders' equity:		
Common stock (\$.01 par value; 30,000,000 shares authorized; 7,607,848 and 8,640,260 shares issued, respectively)	76	86
Additional paid-in capital	8,509	11,082
Retained earnings	10,254	8,305
	18,839	19,473
Less: treasury stock, at cost (1,294,301 and 261,888 shares, respectively)	(1,408)	(1,408)
Total shareholders' equity	17,431	18,065
Total liabilities and shareholders' equity	<u>\$30,161</u>	<u>\$31,285</u>

**Calloway's Nursery, Inc.**  
**Consolidated Statements of Cash Flows**  
**(amounts in thousands)**

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Net income	\$1,949	\$1,627
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	677	549
Amortization of deferred borrowing costs	25	17
(Gain) loss on sale/disposal of property	80	(66)
Loss on prepayment of debt	474	--
Stock-based compensation	18	--
Deferred income taxes	88	(433)
Change in operating assets and liabilities:		
Inventories	(590)	(417)
Accounts payable and accrued expenses	(834)	507
Other operating assets and liabilities	(72)	56
Net cash flows provided by operating activities	<u>1,815</u>	<u>1,840</u>
Cash flows from investing activities:		
Additions to property and equipment	(2,490)	(9,357)
Proceeds from sale of property	--	18
Net cash flows used for investing activities	<u>(2,490)</u>	<u>(9,339)</u>
Cash flows from financing activities:		
Borrowings of debt	4,900	--
Repayments of debt	(5,160)	(1,284)
Repurchase of treasury stock	(2,601)	--
Net cash flows used for financing activities	<u>(2,861)</u>	<u>(1,284)</u>
Net decrease in cash and cash equivalents	(3,536)	(8,782)
Cash and cash equivalents at beginning of year	<u>6,481</u>	<u>15,263</u>
Cash and cash equivalents at end of year	<u>\$2,945</u>	<u>\$6,481</u>