

CALLOWAY'S NURSERY

DATE: May 18, 2011

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FOR RELEASE: Immediately

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CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR FIRST QUARTER ENDED MARCH 31, 2011

FORT WORTH, TX — MAY 18, 2011 -- Calloway's Nursery, Inc. (PK:CLWY) today reported revenues and operating results for the first quarter ended March 31, 2011.

Results for the First Quarter

- Sales were \$12.4 million for 2011, compared to sales of \$8.3 million for 2010. That was also the same-store sales comparison since all nineteen retail stores have been open for more than twelve months at the start of the current year.
- Net income was \$754,000 for 2011, compared to net loss of \$24,000 for 2010. The 2010 quarter included a \$246,000 extraordinary gain.
- Diluted net income per common share was \$.10 for 2011, compared to diluted net loss per common share of \$.00 (break-even) for 2010. The 2010 quarter included a \$.03 per-share extraordinary gain.

Founded in 1986, Calloway's Nursery, Inc. is a 19-store garden center chain serving the Dallas - Fort Worth (as *Calloway's Nursery*) and Houston (as *Cornelius Nursery*) markets. The company strives to make gardening fun, easy and successful for customers by offering expert advice from Texas Certified Nursery Professionals; store environments that are educational and easy to shop; weekly gardening clinics that serve both novice and expert gardeners; displays and instructions to aid gardeners with design and color development in their yards; and a product selection of the best plant varieties available.

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

	Three-Months Ended	
	March 31,	
	<u>2011</u>	<u>2010</u>
Net sales	\$12,438	\$8,277
Cost of goods sold	5,991	3,999
Gross profit	6,447	4,278
Operating expenses	3,734	3,085
Advertising expenses	378	298
Occupancy expenses	859	832
Depreciation and amortization	148	140
Net interest expense	200	327
Total expenses	5,319	4,682
Income (loss) before provision for income taxes and extraordinary gain	1,128	(404)
Income tax expense (benefit)	374	(134)
Net income (loss) before extraordinary gain	754	(270)
Extraordinary gain, net of income tax expense of \$126	--	246
Net income (loss)	\$ 754	\$ (24)
Weighted average number of common shares outstanding – basic and diluted	7,563	7,185
Income (loss) before extraordinary gain per common share – basic and diluted	\$0.10	\$(0.03)
Extraordinary gain, net of tax, per common share - basic and diluted	0.00	0.03
Net income (loss) per common share - basic and diluted	\$0.10	\$(0.00)

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

ASSETS

	March 31, 2011	March 31, 2010
Cash and cash equivalents	\$ 5,749	\$ 2,250
Accounts receivable	489	1,390
Inventories	5,683	4,304
Prepays and other assets	50	52
Deferred income taxes	415	12
Assets held for sale	--	585
Total current assets	12,385	8,593
Property and equipment, net	17,309	17,507
Deferred income taxes	--	1,413
Other assets	311	302
Total assets	\$30,005	\$27,815

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accrued expenses	\$12,115	\$ 8,181
Line of credit	--	2,000
Current portion of long-term debt	759	4,042
Total current liabilities	12,874	14,223
Deferred rent payable	--	36
Long-term debt, net of current portion	11,566	9,404
Deferred income taxes	--	--
Total liabilities	24,440	23,663
Shareholders' equity:		
Common stock	79	75
Additional paid-in capital	10,533	10,362
Accumulated deficit	(3,639)	(4,877)
	6,973	5,560
Less: Treasury stock, at cost	(1,408)	(1,408)
Total shareholders' equity	5,565	4,152
Total liabilities and shareholders' equity	\$30,005	\$27,815

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

	Three- Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$754	\$(24)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	148	140
Deferred income taxes	81	(139)
Gain on involuntary conversion of assets, net of tax	--	(246)
Net change in operating assets and liabilities	2,452	(1,659)
Net cash provided by (used for) operating activities	3,435	(1,928)
Cash flows from investing activities:		
Additions to property and equipment	(8)	(199)
Proceeds from involuntary conversion assets	--	84
Net cash used for investing activities	(8)	(115)
Cash flows from financing activities:		
Net borrowings from line of credit	--	2,000
Repayments of debt	(190)	(159)
Proceeds from issuance of common stock	47	43
Net cash provided by (used for) financing activities	(143)	1,884
Net increase (decrease) in cash and cash equivalents	3,284	(159)
Cash and cash equivalents at beginning of period	2,465	2,409
Cash and cash equivalents at end of period	\$ 5,749	\$ 2,250