

CALLOWAY'S NURSERY

DATE: November 16, 2011 **MEDIA, INVESTOR,** Dan Reynolds
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CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR THIRD QUARTER ENDED SEPTEMBER 30, 2011

FORT WORTH, TX — NOVEMBER 16, 2011 -- Calloway's Nursery, Inc. (Pink Sheets:CLWY) today reported revenues and operating results for the third quarter ended September 30, 2011.

Results for the Third Quarter

- Revenue was \$5.9 million for 2011, compared to revenue of \$5.6 million for 2010. That was also the same-store revenue comparison since all nineteen retail stores have been open for more than twelve months at the start of the current year.
- Net loss was \$1.1 million for 2011, compared to net loss of \$1.0 million for 2010.
- Diluted net loss per common share was \$.15 for 2011, compared to diluted net loss per common share of \$.13 for 2010.

Results for the Nine Month Period

- Revenue was \$37.0 million for 2011, compared to revenue of \$34.4 million for 2010. That was also the same-store revenue comparison since all nineteen retail stores have been open for more than twelve months at the start of the current year.
- Net income was \$1.2 million for 2011, compared to net income of \$1.3 million for 2010. The 2010 period included a \$246,000 extraordinary gain.
- Diluted net income per common share was \$.16 for 2011, compared to diluted net income per common share of \$.18 for 2010. The 2010 period 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		Nine-Months Ended	
	September 30,		September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net sales	\$5,860	\$5,619	\$37,007	\$34,352
Cost of goods sold	<u>3,416</u>	<u>3,117</u>	<u>19,260</u>	<u>17,562</u>
Gross profit	<u>2,444</u>	<u>2,502</u>	<u>17,747</u>	<u>16,790</u>
Operating expenses	2,807	2,671	11,256	10,602
Advertising expenses	115	90	927	798
Occupancy expenses	856	811	2,559	2,465
Depreciation and amortization	148	153	445	445
Net interest expense	<u>200</u>	<u>245</u>	<u>606</u>	<u>824</u>
Total expenses	<u>4,126</u>	<u>3,970</u>	<u>15,793</u>	<u>15,134</u>
Income (loss) before provision for income taxes and extraordinary gain	(1,682)	(1,468)	1,954	1,656
Income tax expense (benefit)	<u>(533)</u>	<u>(497)</u>	<u>716</u>	<u>577</u>
Net income (loss) before extraordinary gain	(1,149)	(971)	1,238	1,079
Extraordinary gain, net of income tax expense	<u>--</u>	<u>--</u>	<u>--</u>	<u>246</u>
Net income (loss)	<u>(\$1,149)</u>	<u>(\$ 971)</u>	<u>\$ 1,238</u>	<u>\$ 1,325</u>
Weighted average number of common shares outstanding – basic and diluted	7,886	7,338	7,769	7,268
Income (loss) before extraordinary gain per common share – basic and diluted	(\$0.15)	(\$0.13)	\$0.16	\$0.15
Extraordinary gain, net of tax, per common share - basic and diluted	<u>--</u>	<u>--</u>	<u>--</u>	<u>0.03</u>
Net income (loss) per common share - basic and diluted	<u>(\$0.15)</u>	<u>(\$0.13)</u>	<u>\$0.16</u>	<u>\$0.18</u>

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

ASSETS

	September 30, 2011	September 30, 2010
Cash and cash equivalents	\$ 2,531	\$ 1,851
Accounts receivable	243	325
Inventories	3,690	3,171
Prepays and other assets	21	21
Deferred income taxes	547	--
Total current assets	7,032	5,368
Property and equipment, net	17,090	17,599
Deferred income taxes	--	167
Other assets	299	291
Total assets	\$24,421	\$23,425

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 6,126	\$ 5,372
Current portion of long-term debt	801	3,363
Total current liabilities	6,927	8,735
Deferred rent payable	4	14
Long-term debt, net of current portion	11,202	9,311
Deferred income taxes	51	--
Total liabilities	18,184	18,060
Shareholders' equity:		
Common stock	82	77
Additional paid-in capital	10,718	10,448
Accumulated deficit	(3,155)	(3,752)
	7,645	6,773
Less: Treasury stock, at cost	(1,408)	(1,408)
Total shareholders' equity	6,237	5,365
Total liabilities and shareholders' equity	\$24,421	\$23,425

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

	Nine-Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$1,238	\$1,325
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	445	445
Gain on involuntary conversion of assets	--	(372)
Net change in operating assets and liabilities	(1,254)	(1,863)
Net cash provided by (used for) operating activities	429	(465)
Cash flows from investing activities:		
Additions to property and equipment	(86)	(579)
Proceeds from involuntary conversion of assets	--	606
Proceeds from sales of property and equipment	--	680
Net cash provided by (used for) investing activities	(86)	707
Cash flows from financing activities:		
Proceeds from issuance of debt	56	--
Repayments of debt	(568)	(931)
Proceeds from issuance of common stock	235	131
Net cash used for financing activities	(277)	(800)
Net increase (decrease) in cash and cash equivalents	66	(558)
Cash and cash equivalents at beginning of period	2,465	2,409
Cash and cash equivalents at end of period	\$2,531	\$1,851