

ALLOWAY'S NURSERY

DATE: November 12, 2010 **MEDIA, INVESTOR,** Dan Reynolds
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CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR THIRD QUARTER ENDED SEPTEMBER 30, 2010

FORT WORTH, TX — NOVEMBER 12, 2010 -- Calloway's Nursery, Inc. (PK:CLWY) today reported revenues and operating results for the third quarter ended September 30, 2010.

Results for the Third Quarter

- Sales were \$5.6 million for 2010, compared to sales of \$5.0 million for 2009. Same-store (17 stores) sales were \$4.7 million for 2010, compared to same-store sales of \$4.7 million for 2009.
- Net loss was \$971,000 for 2010, compared to net loss of \$1.4 million for 2009.
- Diluted net loss per common share was \$.13 for 2010, compared to diluted net loss per common share of \$.20 for 2009.

Results for the Nine Month Period

- Sales were \$34.4 million for 2010, compared to sales of \$30.3 million for 2009. Same-store (17 stores) sales were \$29.3 million for 2010, compared to same-store sales of \$28.1 million for 2009.
- Net income was \$1.3 million for 2010, compared to net loss of \$788,000 for 2009. The 2010 period included a \$246,000 extraordinary gain.
- Diluted net income per common share was \$.18 for 2010, compared to diluted net loss per common share of \$.11 for 2009. 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net sales	\$5,619	\$5,042	\$34,352	\$30,255
Cost of goods sold	<u>3,117</u>	<u>2,919</u>	<u>17,562</u>	<u>16,850</u>
Gross profit	<u>2,502</u>	<u>2,123</u>	<u>16,790</u>	<u>13,405</u>
Operating expenses	2,671	2,917	10,602	10,294
Advertising expenses	90	81	798	959
Occupancy expenses	811	834	2,465	2,491
Depreciation and amortization	153	126	445	360
Net interest expense	<u>245</u>	<u>177</u>	<u>824</u>	<u>476</u>
Total expenses	<u>3,970</u>	<u>4,135</u>	<u>15,134</u>	<u>14,580</u>
Income (loss) before provision for income taxes and extraordinary gain	(1,468)	(2,012)	1,656	(1,175)
Income tax expense (benefit)	<u>(497)</u>	<u>(625)</u>	<u>577</u>	<u>(387)</u>
Net income (loss) before extraordinary gain	(971)	(1,387)	1,079	(788)
Extraordinary gain, net of income tax expense	<u>--</u>	<u>--</u>	<u>246</u>	<u>--</u>
Net income (loss)	<u>(\$ 971)</u>	<u>(\$ 1,387)</u>	<u>\$ 1,325</u>	<u>(\$ 788)</u>
Weighted average number of common shares outstanding – basic and diluted	7,338	7,025	7,268	6,980
Income (loss) before extraordinary gain per common share – basic and diluted	(\$0.13)	(\$0.20)	\$0.15	(\$0.11)
Extraordinary gain, net of tax, per common share - basic and diluted	<u>--</u>	<u>--</u>	<u>0.03</u>	<u>--</u>
Net income per common share - basic and diluted	<u>(\$0.13)</u>	<u>(\$0.20)</u>	<u>\$0.18</u>	<u>(\$0.11)</u>

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

ASSETS

	September 30, 2010	September 30, 2009
Cash and cash equivalents	\$ 1,851	\$ 841
Accounts receivable	325	691
Inventories	3,171	2,822
Prepays and other assets	21	22
Deferred income taxes	--	405
Total current assets	5,368	4,781
Property and equipment, net	17,599	16,963
Deferred income taxes	167	578
Other assets	291	326
Total assets	\$23,425	\$22,648

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 5,372	\$ 5,063
Current portion of long-term debt	3,363	610
Total current liabilities	8,735	5,673
Deferred rent payable	14	58
Long-term debt, net of current portion	9,311	11,986
Total liabilities	18,060	17,717
Shareholders' equity:		
Common stock	77	73
Additional paid-in capital	10,448	10,285
Accumulated deficit	(3,752)	(4,019)
	6,773	6,339
Less: Treasury stock, at cost	(1,408)	(1,408)
Total shareholders' equity	5,365	4,931
Total liabilities and shareholders' equity	\$23,425	\$22,648

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

	Nine-Months Ended	
	September 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$1,325	(\$787)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	445	360
Gain on involuntary conversion of assets, net of tax	(372)	--
Net change in operating assets and liabilities	(1,863)	566
Net cash provided by (used for) operating activities	(465)	139
Cash flows from investing activities:		
Additions to property and equipment	(579)	(923)
Proceeds from involuntary conversion of assets	606	--
Proceeds from sales of property and equipment	680	--
Net cash provided by (used for) investing activities	707	(923)
Cash flows from financing activities:		
Repayments of debt	(931)	(372)
Proceeds from issuance of common stock	131	66
Net cash used for financing activities	(800)	(306)
Net decrease in cash and cash equivalents	(558)	(1,090)
Cash and cash equivalents at beginning of period	2,409	1,931
Cash and cash equivalents at end of period	\$1,851	\$ 841