

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal year ended December 31, 2019

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-207889

**GROWGENERATION CORP.**  
(Exact name of registrant as specified in its charter)

<b>Colorado</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>46-5008129</b> (I.R.S. Employer Identification No.)
<b>1000 W Mississippi Ave Denver, Colorado</b> (Address of Principal Executive Offices)	<b>80223</b> (Zip Code)

**(800) 935-8420**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	GRWG	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

Title of class  
Not Applicable

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2019: \$90,776,147.

As of March 26, 2020, the Company had 38,135,408 shares of its common stock issued and outstanding, par value \$0.001 per share.

**Document Incorporated by Reference**

Portions of a definitive proxy relating to the registrant's 2020 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Form 10-K, are incorporated into Part III of this Form 10-K.

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## PART I

### Forward-Looking Information

*This Annual Report of GrowGeneration Corp. on Form 10-K contains forward-looking statements, particularly those identified with the words, “anticipates,” “believes,” “expects,” “plans,” “intends,” “objectives,” and similar expressions. These statements reflect management’s best judgment based on factors known at the time of such statements. The reader may find discussions containing such forward-looking statements in the material set forth under “Management’s Discussion and Analysis and Plan of Operations,” generally, and specifically therein under the captions “Liquidity and Capital Resources” as well as elsewhere in this Annual Report on Form 10-K. Actual events or results may differ materially from those discussed herein. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements. The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.*

*Unless the context otherwise requires, the terms “we”, “our”, “ours” “us” and “GrowGeneration”, refer to GrowGeneration Corp. and its subsidiaries, including GrowGeneration Pueblo Corp, GrowGeneration California Corp., Grow Generation Nevada Corp., GrowGeneration Washington Corp., GrowGeneration Rhode Island Corp., GrowGeneration Michigan Corp, GrowGeneration Oklahoma Corp, GrowGeneration New England Corp, GrowGeneration Canada Corp, GrowGeneration HG Corp, GrowGeneration Hemp Corp, GGen Distribution Corp., GrowGeneration Management Corp., and GrowGeneration Florida Corp., on a combined basis.*

### **ITEM 1. BUSINESS**

#### **Background**

GrowGeneration Corp. (together with all of its wholly-owned subsidiaries, collectively “GrowGeneration” the “Company”) was incorporated in Colorado in 2014, and is the largest chain of hydroponic garden centers in North America and is a leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting, ventilation systems and accessories for hydroponic gardening. As of March 27, 2020, the Company owns and operates a chain of twenty seven (27) retail and commercial hydroponic/gardening centers, with five (5) located in the state of Colorado, four (4) in the state of California, four (4) in the state of Michigan, two (2) in the state of Nevada, one (1) in the state of Washington, one (1) in the state of Oregon, four (4) in the State of Oklahoma, one (1) in the state of Rhode Island, three (3) in Maine, (1) in Florida, one (1) distribution center in California and an online e-commerce store, GrowGen.Pro. Our plan is to acquire, open and operate hydroponic/gardening centers and related businesses throughout the United States and Canada.

Today, our 27 centers operate in 10 states, each state considered an operating region.

## Products

GrowGeneration is the largest retailers of hydroponic products in the United States and is engaged in the business of marketing and distributing horticultural, organics, lighting and hydroponics products, including lighting fixtures, nutrients, seeds and growing media systems, trays, fans, filters, humidifiers and dehumidifiers, timers, instruments, water pumps, irrigation supplies and hand tools.

GrowGeneration is also actively developing a line of private labeled products, which would be sold through GrowGeneration garden centers under brands owned or controlled by the Company. In this regard, the Company acquired a variety of trademarks in March 2019 to bolster its ability to supply branded 'house' products to our customers. From trellis netting, to plastic pots, to organic nutrients, GrowGeneration introduced its first private-labeled products in the first quarter of 2020, expects to roll out a complete line of private labeled products to offer our customers at great prices, which is expected to have a positive impact on margins and profitability in the near term.

A list of the product trademarks the Company acquired are listed as follows: Blueprint, Carbide, DuraBreeze, Elemental Solutions, GrowXcess, GaurdenWare, Harvester's Edge, Hydro Thrive, Ion, MixSure +, OptiLUME, Pioneer, Predator Lighting, Smart Support, Sunleaves Garden, Sunspot, Super Starter, Utopian Systems, VitaLUME, and VitaPlant.

## Markets

Our stores sell thousands of products, that include nutrients, growing media, advanced indoor and greenhouse lighting, ventilation systems and accessories for hydroponic gardening and other products needed to grow indoors and outdoors. Our strategy is to target two distinct groups of customers, namely commercial growers and smaller growers that require a local store to fulfill their daily and weekly growing needs. Our supply chain includes over 10,000 sku's across 12 product departments. We can deliver directly to the grower's facility, and they can pick up the products at one of our stores or order online.

GrowGeneration serves a new, yet sophisticated community of commercial and urban cultivators growing specialty crops including organics, greens and plant-based medicines. Unlike the traditional agricultural industry, these cultivators use innovative indoor and outdoor growing techniques to produce specialty crops in highly controlled environments. This enables them to produce crops at higher yields without having to compromise quality, regardless of the season or weather and drought conditions.

Our target market segments include the commercial growers in the plant-based medicine market, the home grower and businesses and individuals who grow organically grown herbs and leafy green vegetables. The landscape for hydroponic retail stores is very fragmented, with numerous single stores which we consider very ripe for our roll up strategy. Further, the products we sell are in demand due to the ever-increasing legalization of plant-based medicines, primarily cannabis and hemp, and the number of licensed cultivation facilities in both the US and Canada. Total sales for the hydroponic equipment industry were well over \$8 billion in 2019.

Indoor growing techniques have primarily been used to cultivate plant-based medicines. Plant-based medicines often require high-degree of regulation and controls including government compliance, security, and crop consistency, making indoor growing techniques a preferred method. Cultivators of plant-based medicines often make a significant investment to design and build-out their facilities. They look to work with companies such as GrowGeneration that understand their specific needs and can help mitigate risks that could jeopardize their crops. Plant-based medicines are believed to be among the fastest-growing market in the U.S. and several industry pundits believe that plant-based medicines may even displace prescription pain medication by providing patients with a safer, more affordable alternative.

Indoor growing techniques, however, are not limited to plant-based medicines. Vertical farms producing organic fruits and vegetables are beginning to emerge in the market due to a rising shortage of farmland, and environmental vulnerabilities including drought, other severe weather conditions and insect pests. Indoor growing techniques enable cultivators to grow crops all-year-round in urban areas and take up less ground while minimizing environmental risks. Indoor growing techniques typically require a more significant upfront investment to design and build-out these facilities than traditional farmlands. If new innovations lower the costs for indoor growing, and the costs to operate traditional farmlands continue to rise, then indoor growing techniques may be a compelling alternative for the broader agricultural industry.

## Research and Development

The Company has not incurred any research and development expenses during the period covered by this report.

## Customers and Suppliers

Our key customers vary by state and are expected to be more defined as the Company moves from its retail walk-in purchasing sales strategy to serving cultivation facilities directly and under predictable purchasing activity. Currently, none of our customers accounted for more than 5% of our sales in 2019 or 2018.

Our key suppliers include several manufacturers and distributors such as FoxFarm Fertilizer, Canna, USA Mills Nutrients, Hawthorne Garden Supply, Hydrofarm, and others. All the products purchased and sold are applicable to indoor and outdoor growing for organics, greens, and plant-based medicines. As of December 31, 2019, and 2018, two suppliers represent 51% and 56%, respectively of our purchases. The Company is of the opinion that the loss of either supplier would not have a material adverse impact on our business, because both suppliers provide the same products and the Company maintains direct manufacturing agreements with vendors.

## Demand for Products

Demand for indoor and outdoor growing equipment is currently high due to legalization of plant-based medicines, primarily cannabis and hemp, which requires equipment purchases for build-out and repeat purchases of consumable nutrients needed during the growing period. This demand is projected to continue to increase as a result of the approval of a comprehensive, publicly available medical marijuana/cannabis programs laws in 33 states and 11 states for adult-use plus the District of Columbia as of the date thereof. Continued innovation and more efficient build-out technologies along with larger and consolidated cultivation facilities are expected to further expand market demand for GrowGeneration products and services. We expect the market to continue to segment into urban farmers serving groups of individuals, community cultivators, and large-scale cultivation facilities across the states. Each segment will be optimized to different distribution channels that GrowGeneration currently provides. We are of the opinion that as our volume increases, we will obtain volume discounts on purchasing that should allow us to maximize our revenues and expand gross profit margins.

## E-Commerce Strategy

The Company has developed its e-commerce website and portal, [www.GrowGen.Pro](http://www.GrowGen.Pro) which offers for sale hydroponic, specialty and organic gardening products. Online shoppers are able to shop from product departments, from nutrients to lighting to hydroponic and greenhouse equipment, delivering an easy and quick method to find the products that they want to purchase. Our e-commerce site is designed to appeal to the professional growers. Each product listed on the site contains product descriptions, product reviews and a picture so the customers can make an informed and educated purchase. Our product filters allow the customers to search by brand, manufacturer, or by function such as wattage. Designed as an information portal as well as an e-commerce store, the customers will find videos, articles, blogs and other relevant content, all generated by GrowGeneration's internal staff, which we call our "Grow Pros". The GrowGeneration customers are able to shop and order online 24/7 and, choose to receive products delivered directly to their grow operations, or for pick up at one of the GrowGeneration retail stores. In addition, customers may simply use our site as a resource and shop with our Grow Pros at one of our retail locations. Google advertising, social media and in store advertising are the primary advertising tools we use to drive traffic to [www.GrowGen.Pro](http://www.GrowGen.Pro).

## Acquisitions

Subsequent to year end, on February 26, 2020, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Florida Corp, to purchase the assets of Healthy & Harvest, LLC, with one location in Pembroke Pines, FL. In connection with the purchase of the assets, the Company also entered a three-year commercial lease for warehouse space, effective February 26, 2020 and subleased the store space whose current lease expires July 31, 2020.

On December 18, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Washington Corp, to purchase the assets of GrowWorld with one location in Portland, OR. In connection with the purchase of the assets, the Company also entered into an assignment of lease, effective December 18, 2019, to rent the premises in Portland, OR. The lease terminates on December 31, 2026.

On September 3, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Michigan Corp, to purchase the assets of Grand Rapids Hydroponics with one location in Grand Rapids, MI. In connection with the purchase of the assets, the Company also entered into a ten-year commercial lease agreement, effective from September 9, 2019, to rent the premises in Grand Rapids, MI.

On April 23, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Rhode Island Corp., to purchase the assets of GreenLife Garden Supply Corp., with two store locations in Maine and one in New Hampshire. In connection with the purchase of the assets, the Company also entered into five-year commercial lease agreements, effective from May 9, 2019 and July 1, 2019, respectively, to rent the premises in York and Biddeford, Maine where store assets are located.

On January 26, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration California Corp., to purchase the assets from Palm Springs Hydroponics, Inc. located in Palm Springs, California. The acquisition was completed on February 7, 2019. In connection with the purchase of the assets, the Company also entered into a commercial lease agreement with a term of five years and three months, effective from February 7, 2019 to April 30, 2024, to rent the premises where the assets were located to open a new store.

On January 26, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Nevada Corp., to purchase the assets from Reno Hydroponics, Inc. located in Reno, Nevada. The acquisition was completed on February 11, 2019. In connection with the purchase of the assets, the Company also entered into a one-year commercial lease agreement, effective from February 1, 2019 to January 31, 2020, to rent the premises where the assets were located to open a new store. The Company has since entered into a new lease expiring March 31, 2021.

On November 28, 2018, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Pueblo Corp., to purchase the assets of Chlorophyll, Inc., located in Denver, Colorado. The acquisition was completed on January 21, 2019. In connection with the purchase of the assets, the Company also entered into a five-year commercial lease agreement, effective from January 21, 2019, to rent the premises where the assets are located to open a new store.

On August 30, 2018, the Company entered into an asset purchase agreement, amended on September 14, 2018, with Virgus, Inc. d/b/a/ Heavy Gardens, an online store of hydroponic and garden supplies ("Heavy Gardens"), to purchase the assets of Heavy Gardens through its wholly-owned subsidiary, GrowGeneration HG Corp. The closing of the asset purchase took place on September 14, 2018.

On June 28, 2018, the Company entered into a restated and amended asset purchase agreement to purchase the assets of a retail hydroponic store, Santa Rosa Hydroponics & Grower Supply Inc., located in Santa Rosa, California. On July 13, 2018, the parties entered into an amendment to the purchase agreement and conducted the closing of the asset purchase. In connection with the purchase of the assets, the Company also entered into a commercial lease agreement, effective from July 14, 2018 to July 13, 2023, to rent the premises where the assets were located to open the new store.

On April 12, 2018, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Michigan Corp., to purchase substantially all of the assets of Superior Growers Supply, Inc.'s business located in Michigan. In connection with the purchase of the assets, the Company also entered into a commercial lease, effective from April 12, 2018 to April 11, 2023, to rent the premises where a part of the assets are located. The Company entered into two additional leases. Following this acquisition, the Company opened three stores in the state of Michigan.

#### **Seasonality**

Our business is subject to some seasonal influences. Generally, our highest volume of sales occurs in our second and third fiscal quarter, and the lower volume occurs during our first or fourth fiscal quarter.

#### **Competition**

The markets in which we sell our products are highly competitive. Our key competitors include many local and national vendors of gardening supplies, local product resellers of hydroponic and other specialty growing equipment, as well as online product resellers and large online marketplaces such as Amazon.com and eBay. Our industry is a highly fragmented industry with over 1,000 retail outlets throughout the U.S. We compete with companies that have greater capital resources, facilities and diversity of product lines. Our competitors may also introduce new hydroponic growing equipment, manufacturers may sell equipment direct to consumers, and our distributors could cease sales of product to us.

Notwithstanding the foregoing, we do believe that our pricing, inventory and product availability and overall customer service provide us with the ability to compete in this marketplace. In addition, as we increase our number of stores and inventory per store, we expect to be able to purchase larger amounts of inventory at lower volume sale prices, which we expect will enable us to price competitively and deliver the products that our customers are seeking. We compete on supply chain competency, field sales support, in-store sales support, the strength of our relationships with major manufacturers, distributors and advertising.

Based on our knowledge and communication with our suppliers, we do not believe our suppliers sell directly to the retail market or our customers.

### **Intellectual Property and Proprietary Rights**

Our intellectual property consists of our brands and their related trademarks, domain names and websites, customer lists and affiliations, product know-how and technology, and marketing intangibles. We also hold rights to website addresses related to our business including websites that are actively used in our day-to-day business such as www.GrowGeneration.com. We own the federally registered trademark for “GrowGeneration®” “Where the Pros Go to Grow®” and GrowGen.Pro. In addition, we own several registered trademarks acquired March 2019 as detailed previously under the caption Products.

### **Government Regulation**

We sell products, including hydroponic gardening products, that end users may purchase for use in new and emerging industries or segments, including the growing of cannabis and hemp, that may not grow or achieve market acceptance in a manner that we can predict. The demand for these products depends on the uncertain growth of these industries or segments.

In addition, we sell products that end users may purchase for use in industries or segments, including the growing of cannabis and hemp, that are subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. For example, certain countries and 33 U.S. states have adopted frameworks that authorize, regulate, and tax the cultivation, processing, sale, and use of cannabis for medicinal and/or non-medicinal use, while the U.S. Controlled Substances Act and the laws of other U.S. states prohibit growing cannabis. In addition, with the passage of the Farm Bill in December 2018, hemp cultivation is now broadly permitted. The Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law. We believe the recent passage of the 2018 Farm Bill will allow the Company to expand its marketplace opportunities.

Our gardening products, including our hydroponic gardening products, are multi-purpose products designed and intended for growing a wide range of plants and are purchased by cultivators who may grow any variety of plants, including cannabis and hemp. Although the demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop, we cannot reasonably predict the nature of such developments or the effect, if any, that such developments could have on our business.

### **Employees**

As of December 31, 2019, we had 184 full time employees and 21 part-time employees. No employees are subject to collective bargaining agreements.

### **Principal Offices**

Our principal offices are located at 1000 W Mississippi Ave., Denver, CO 80223. As of December 31, 2019, we leased six (6) facilities in the State of Colorado, eight (8) in the State of California, one (1) in the State of Nevada, one (1) in the State of Washington, one (1) in the State of Oregon, one (1) in the State of Rhode Island, four (4) in the State of Oklahoma, four (4) in the State of Michigan, three (3) in the State of Maine, two (2) in the State of Florida, all for our corporate and retail operations. In total the Company leases approximately 350,000 square feet of space, which consists primarily of 3,000 feet of corporate office space, 100,000 square feet of warehouse space and 247,000 square feet of store space.

## **ITEM 1A. RISK FACTORS**

The risks and uncertainties described below could materially and adversely affect our business, financial condition and results of operations and could cause actual results to differ materially from our expectations and projections. You should read these Risk Factors in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our Consolidated Financial Statements and related notes in Item 8. There also may be other factors that we cannot anticipate or that are not described in this report generally because we do not currently perceive them to be material. Those factors could cause results to differ materially from our expectations.

***Actual or threatened epidemics, pandemics, outbreaks, or other public health crises may adversely affect our customers’ financial condition and the operations of our business.***

Our business could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of novel coronavirus (COVID-19). The risk of a pandemic, or public perception of the risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our inventory. Further, such risks could also adversely affect our customers’ financial condition, resulting in reduced spending for the products we sell. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees to avoid our properties, which could adversely affect our ability to adequately staff and manage our businesses. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our stores, facilities or operations of our sourcing partners. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect our business, financial condition and results of operations.

***We face intense competition that could prohibit us from developing or increasing our customer base.***

The industry within which we compete is highly competitive. We compete with companies that have greater capital resources, facilities and diversity of product lines. We compete in the specialty gardening industry, selling hydroponic and organic nutrients, soils and other gardening related products. Additionally, if demand for our hydroponic growing equipment and products continues to grow, we expect many new competitors to enter the market, as there are no significant barriers to retail sales of hydroponic growing equipment and related gardening products. More established gardening companies with much greater financial resources which do not currently compete with us may be able to easily adapt their existing operations to sales of hydroponic growing equipment. Due to this competition, there is no assurance that we will not encounter difficulties in increasing revenues and maintaining and/or increasing market share. In addition, increased competition may lead to reduced prices and/or margins for products we sell. Our competitors may also introduce new hydroponic growing equipment, manufacturers may sell equipment direct to consumers, and our distributors could cease sales of product to us.

***If we need additional capital to fund our operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations.***

In connection with our growth strategies, we may experience increased capital needs and accordingly, we may not have sufficient capital to fund our future operations without additional capital investments. There can be no assurance that additional capital will be available to us. If we cannot obtain sufficient capital to fund our operations, we may be forced to limit the scope of our expansion.

***Our business depends substantially on the continuing efforts of our executive officers and our business may be severely disrupted if we lose their services.***

Our future success depends substantially on the continued services of our executive officers, especially our Chief Executive Officer, Darren Lampert, our President, Michael Salaman, our Chief Financial Officer, Monty Lamirato, and our Chief Operating Officer, Tony Sullivan. We do not maintain key man life insurance on any of our executive officers and directors. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers.



***If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.***

Our ability to compete in the highly competitive hydroponics and gardening industry depends in large part upon our ability to attract highly qualified managerial and sales personnel. In order to induce valuable employees to come and work for us or to remain with us, we intend to provide employees with stock options that vest over time. However, the value to employees of stock options that vest over time will be significantly affected by movements in our stock price that we will not be able to control and may at any time be insufficient to counteract more lucrative offers from other companies. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior, mid-level, and senior personnel.

***In order to increase our sales and marketing infrastructure, we will need to grow the size of our organization, and we may experience difficulties in managing this growth.***

As we continue to work to open and/or acquire additional retail store locations, we will need to expand the size of our employee base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, our management may have to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. Our future financial performance and our ability to continue to grow our operation and compete in the hydroponics industry effectively will depend, in part, on our ability to effectively manage any future growth.

***Litigation may adversely affect our business, financial condition and results of operations.***

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations.

***Some of our customers are cannabis growers. Disruption to the cannabis industry could have a negative impact on our revenue.***

Our products are sold to growers of various crops and some of our products may be utilized by cannabis growers. Disruption to the cannabis industry could cause some current and/or potential customers to be more reluctant to invest in growing equipment, including equipment we sell.

***There are a significant number of shares of common stock eligible for sale, which could depress the market price of such shares.***

Our Registration Statement on Form S-1 has registered a total of 1,242,756 shares of our common stock available for sale in the public market. The availability of such a large number of shares of common stock for sale in the public market could harm the market price of the stock. Further, additional shares may be offered from time to time in the open market pursuant to Rule 144, and these sales may have a depressive effect as well.

***If product liability lawsuits are brought against us, we may incur substantial liabilities.***

We face a potential risk of product liability as a result of any of the products that we offer for sale. For example, we may be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for products that we may offer for sale;
- injury to our reputation;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions; and
- a decline in our stock price.

We do not maintain any product liability insurance. Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we developed. Even if we obtain product liability insurance in the future, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

***We may acquire businesses or products, or form strategic alliances, in the future, and we may not realize the benefits of such acquisitions.***

We may acquire additional businesses or products, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing business. If we acquire businesses with promising markets or products, we may not be able to realize the benefit of acquiring such businesses if we are unable to successfully integrate them with our existing operations and company culture. We may encounter numerous difficulties in developing, manufacturing and/or marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. We cannot assure you that, following any such acquisition, we will achieve the expected synergies to justify the transaction.

**Risks Related to Our Common Stock**

**There are risks, including stock market volatility, inherent in owning our common stock**

The market price and volume of our common stock have been, and may continue to be, subject to significant fluctuations. These fluctuations may arise from general stock market conditions, the impact of risk factors described in this Item 1A on our results of operations and financial position, or a change in opinion in the market regarding our business prospects or other factors, many of which may be outside our immediate control.

***The shares of our common stock may experience substantial dilution by exercises of outstanding warrants and options.***

As of the date hereof, we had outstanding warrants to purchase an aggregate of 3,387,701 shares of our common stock at a weighted average exercise price of \$2.96 per share, and options to purchase an aggregate of 2,109,170 shares of our common stock (out of which 1,210,837 are vested as of this date) at a weighted average exercise prices of \$2.97 per share. The exercise of such outstanding options and warrants will result in substantial dilution of your investment. In addition, our shareholders may experience additional dilution if we issue common stock in the future. Any of such dilution may have adverse effect on the price of our common stock.

***We are an “emerging growth company,” and will be able take advantage of reduced disclosure requirements applicable to “emerging growth companies,” which could make our common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and, for as long as we continue to be an “emerging growth company,” we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

For as long as we remain an “emerging growth company” as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.”

After we are no longer an “emerging growth company,” we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

**Description of Property**

Our principal offices are located at 1000 W Mississippi Ave., Denver, CO 80223. As of the date of this report, we lease six (6) facilities in the State of Colorado, eight (8) in the State of California, one (1) in the State of Nevada, one (1) in the State of Washington, one (1) in the State of Rhode Island, one (1) in the State of Oregon, two (2) in the State of Florida, four (4) in the State of Oklahoma, four (4) in the State of Michigan and three (3) in the State of Maine for our retail operations. Information relating to our stores is set forth in the table below:

	<b>Number of Locations</b>	<b>Square feet</b>	<b>Lease Expiration Dates</b>
Colorado	6	2,000-12,500	January 2021 to April 2024
California	8	2,625-59,000	May 2020 to April 2024
Nevada	1	8,800	February 2022
Washington	1	3,200	April 2020
Rhode Island	1	9,000	January 2023
Michigan	4	5,300-11,000	March 2023 to August 2029
Maine	3	23,500	February 2023-June 2024
Oklahoma	4	9,800-40,000	September 2023 to February 2026
Oregon	1	15,000	December 2026
Florida	2	5,000 – 10,000	July 2020 to February 2023

**ITEM 3. LEGAL PROCEEDINGS**

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer’s business, financial condition, or operations.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### MARKET INFORMATION

The Company commenced trading on the Nasdaq Capital Market on December 2, 2019 under the symbol "GRWG". Prior to that date, our stock traded on the OTCQB Best Market since October 10, 2017, prior to which it was traded on the OTCQB Market since November 11, 2016.

The following table sets forth, for each quarter for the years ended December 31, 2019 and 2018, the reported high and low bid prices of our Common Stock.

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
December 31, 2019	\$ 5.06	\$ 3.45
September 30, 2019	\$ 5.75	\$ 3.10
June 30, 2019	\$ 3.79	\$ 2.53
March 31, 2019	\$ 3.62	\$ 2.18
December 31, 2018	\$ 4.05	\$ 2.05
September 30, 2018	\$ 5.07	\$ 3.41
June 30, 2018	\$ 5.49	\$ 3.10
March 31, 2018	\$ 9.94	\$ 3.00

Future sales of substantial amounts of our shares in the public market could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

#### HOLDERS

The approximate number of stockholders of record as of December 31, 2019 was 140. The number of stockholders of record does not include beneficial owners of our Common Stock, whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

#### DIVIDEND POLICY

We have never paid any cash dividends on our Common Stock. We anticipate that we will retain funds and future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant. In addition, the terms of any future debt or credit financings may preclude us from paying dividends.

## RECENT SALES OF UNREGISTERED SECURITIES

### 2019 Private Placement

On June 26, 2019, the Company completed a private placement of a total of 4,123,257 units of the Company's securities at the price of \$3.10 per unit pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Each unit consisted of (i) one share of Common Stock and (ii) one 3-year warrant, each entitling the holder to purchase one half share of Common Stock, at a price of \$3.50 per share. The Company raised a total of \$12,782,099 from 19 accredited investors.

### 2018 Private Placement

On January 17, 2018, the Company completed a private placement of a total of 36 units of its securities at the price of \$250,000 per unit. Each unit consists of (i) a .1% unsecured convertible promissory note of the principal amount of \$250,000, and (ii) a 3-year warrant entitling the holder to purchase 37,500 shares of Common Stock, at a price of \$.01 per share or through cashless exercise. The Company raised gross proceeds of \$9,000,000 from 23 accredited investors in the offering.

On May 9, 2018, the Company completed a private placement of a total of 33.33 units of its securities at a price of \$300,000 per unit to 3 accredited investors. Each unit consists of (i) 100,000 share of the Company's Common Stock and (ii) 50,000 3-year warrant to purchase one share of Common Stock at an exercise price of \$.35 per share. The Company raised an aggregate of \$10,000,000 gross proceeds in the offering.

### 2017 Private Placements

On March 10, 2017, the Company completed a private placement of a total of 825,000 units of its securities to 4 accredited investors. Each unit consists of (i) one share of the Company's Common Stock and (ii) one 5-year warrant to purchase one share of Common Stock at an exercise price of \$2.75 per share. The Company raised an aggregate of \$1,650,000 gross proceeds in the offering.

On May 16, 2017, the Company completed a private placement of a total of 1,000,000 units of its securities to 27 accredited investors through GVC Capital LLC ("GVC Capital") as its placement agent. Each unit consists of (i) one share of the Company's Common Stock and (ii) one 5-year warrant to purchase one share of Common Stock at an exercise price of \$2.75 per share. The Company raised an aggregate of \$2,000,000 gross proceeds in the offering. The Company paid GVC Capital total compensation for its services, (i) for a price of \$100, 5-year warrants to purchase 75,000 shares at \$2.00 per share and 5-year warrants to purchase 75,000 shares at \$2.75 per share, (ii) a cash fee of \$150,000, (iii) a non-accountable expense allowance of \$60,000, and (iv) a warrant exercise fee equal to 3% of all sums received by the Company from the exercise of 750,000 warrants (not including 250,000 warrants issued to one investor) when they are exercised.

### *Stock Options and Stock Awards*

The Company has a 2014 Equity Compensation Plan (the "2014 Plan") and an Amended and Restated 2018 Equity Compensation Plan (which is pending shareholder approval) (the "2018 Plan").

From inception to December 31, 2019, we have granted stock options under our 2014 Plan to purchase an aggregate of 2,273,500 shares at exercise prices ranging from \$0.60 to \$5.11 per share. Of the total options granted as of December 31, 2019, 1,778,333 have been exercised and 159,667 have been forfeited, resulting in 335,500 options outstanding. In addition, as of December 31, 2019, 375,000 stock awards have been issued under our 2014 Plan.

From inception to December 31, 2019, we have granted stock options under our 2018 Plan to purchase an aggregate of 1,661,500 shares at exercise prices ranging from \$2.25 to \$4.45 per share. As of December 31, 2019, 7,500 options have been exercised and 11,667 forfeited under the 2018 Plan. In addition, as of December 31, 2019, 69,750 stock awards have been issued under our 2018 Plan. On February 7, 2020, the Board approved the amendment and restatement of the 2018 Plan to increase the number of shares issuable thereunder from 2,500,000 to 5,000,000, which amendment is pending shareholder approval.

## **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

*The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly those under "Risk Factors." Dollars in tabular format are presented in thousands, except per share data, or otherwise indicated.*

### **OVERVIEW**

GrowGeneration Corp. ("GrowGeneration, together with all of its wholly- subsidiaries or the "Company") was incorporated in Colorado in 2014 to build a national chain of hydroponic equipment and supply garden centers in the U.S. GrowGeneration is the largest and fastest growing chain of hydroponic garden centers in North America. Today, GrowGeneration is a service provider of a wide selection of supplies and equipment for commercial and home growers and a leading marketer and distributor of nutrients, growing media, advanced indoor garden, lighting and ventilation systems and accessories for hydroponic gardening. As of March 27, 2020, the Company owns and operates a chain of twenty seven (27) retail hydroponic/gardening centers, with five (5) located in the state of Colorado, four (4) in the state of California, four (4) in the state of Michigan, two (2) in the state of Nevada, one (1) in the state of Washington, one (1) in the state of Oregon, four (4) in the State of Oklahoma, one (1) in the state of Rhode Island, three (3) in Maine, (1) in Florida , one (1) distribution facility in California and an online e-commerce store, GrowGen.Pro. Our plan is to acquire, open and operate hydroponic/gardening stores and related businesses throughout the United States and Canada. The Florida location was acquired in February 2020 and the fourth Oklahoma store was open in March 2020.

In 2019, we added Tony Sullivan, an experienced and proven multi-store operator, as our Chief Operating Officer. His initiatives include, but not be limited to, providing unwavering support to the 27 GrowGeneration Stores, adding new locations, integrating our e-commerce and store supply channels and leveraging synergies amongst interconnected departments, working to drive more cost efficiencies across all areas of our company.

We saw triple-digit growth in revenue in Colorado, Michigan and Nevada and double-digit growth in all other markets. Our online business has risen over 100% for the same period year over year. GrowGeneration Management Corp, our commercial division, is now approaching sales of \$5.0 million per quarter, and we added hundreds of new commercial accounts in 2019. With our success in Oklahoma, we opened our fourth location in the state, located in Tulsa, OK, a 40,000 Sq. ft. super garden center, the largest hydroponic garden center in the US. Our private label program, under the Sunleaves brand, began to be stocked on our shelves and online in the fourth quarter of 2019. Our initial private label lineup includes a one- part micro and macro nutrient+ Cal mag powder line, for both cannabis and hemp farmers, a silica+ micronutrient booster and a root stimulant, all additives that can be used with any nutrient regimen. Additional private level products that will be on shelf in second quarter of 2020 include, rope ratchets for hoisting lighting, breathable fabric pots and T5 florescent lights for indoor gardens.

We improved the financial performance of the Company in all areas in 2019. Revenue was up 175% year over year, at \$79.7 million. Adjusted EBITDA, for 2019 was slightly over \$6,600,000, a positive \$.20 per share. Our same store sales were up approximately 36% year over year. Gross profit margins increased to 28.3%, an increase of 610 basis points year over year. We believe our strategies to increase margins are working, by purchasing in larger volumes and buying more efficiently. We saw significant revenue increases in all key markets. Colorado was up 114%, California 70%, Nevada 126 %, Michigan 200%, and Rhode Island 79% Our new stores in Oklahoma contributed \$11.8 million in revenue and our stores in Maine added \$6.2 million. Our e-commerce store, GrowGen.Pro added approximately \$4.8 million in revenue. Our commercial division generated approximately \$17 million in revenue all of which is reflected in store revenues. With our significant top and bottom-line growth, we reduced our store operating expenses to 12.7% of revenues in 2019 compared to 18% in 2018 and our corporate overhead to 8.5% as a percentage of our revenue, not including non-cash expenditures. The Company has successfully completed the implementation of our Enterprise Resource Planning ("ERP") platform, designed to lower costs, integrate our online and store sales and supply channels, improve departmental productivity, and provides forecasting and reporting tools.

Management focuses on a variety of key indicators and operating metrics to monitor the financial condition and performance of the continuing operations of our business. These metrics include consumer purchases (point-of-sale data), market share, category growth, net sales, gross profit margins, income from operations, net income and earnings per share. We also focus on measures to optimize cash flow and return on invested capital, including the management of working capital and capital expenditures.

In 2019, the Company continued focusing its efforts on increasing its distributions through acquisitions and opening of new locations. We increased our store footprint from 21 to 26 locations in 2019, which included three store closing/consolidations. Sales increased 175% between 2018 and 2019. The Company's acquired e-commerce operation, HeavyGarden.com, rebranded as GrowGen.Pro, is the basis for an omni-channel strategy that is being developed now to enable e-commerce at all of the GrowGeneration locations. We expect this omni-channel rollout to commence in the second quarter of 2020. We formed wholly-owned subsidiaries GrowGeneration Canada Corp and GrowGeneration Hemp Corp in order to develop supply chain and sales strategies for both of these high value markets, in the U.S and Canada. Furthermore, the Company completed its implementation of an ERP system in all its operations, which is business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources.

Capital raised in 2019 included a \$12.8 million raise from 19 accredited investors. Capital raised in 2018 totaled \$19 million, which was raised primarily from the three largest private equity firms, Gotham Green Partners, Navy Capital and Merida Capital Partners.

On December 2, 2019, the Company was approved to commence trading its Common Stock on the Nasdaq Capital Market under the ticker symbol of "GRWG". Prior to that date, the Company's stock traded on the OTCQX Best Market since October 10, 2017, prior to which it traded on the OTCQB Market since November 11, 2016.

Subsequent to December 31, 2019, on February 26, 2020, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Florida Corp, to purchase the assets of Healthy & Harvest, LLC with one location in Pembroke Pines, FL. In connection with the purchase of the assets, the Company also entered a three-year commercial lease for warehouse space, effective February 26, 2020 and subleased the store space whose current lease expires July 31, 2020.

On December 18, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Washington Corp, to purchase the assets of GrowWorld with one location in Portland, OR. In connection with the purchase of the assets, the Company also entered into an assignment of lease, effective December 18, 2019, to rent the premises in Portland, OR. The lease terminates on December 31, 2026.

On September 3, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Michigan Corp, to purchase the assets of Grand Rapids Hydroponics with one location in Grand Rapids, MI. In connection with the purchase of the assets, the Company also entered into a ten-year commercial lease agreement, effective from September 9, 2019, to rent the premises in Grand Rapids, MI.

On April 23, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Rhode Island Corp., to purchase the assets of GreenLife Garden Supply Corp., with two store locations in Maine and one in New Hampshire. In connection with the purchase of the assets, the Company also entered into five-year commercial lease agreements, effective from May 9, 2019 and July 1, 2019, respectively, to rent the premises in York and Biddeford, Maine where store assets are located.

On January 26, 2019, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration California Corp., to purchase the assets from Palm Springs Hydroponics, Inc. located in Palm Springs, California. The acquisition was completed on February 7, 2019. In connection with the purchase of the assets, the Company also entered into a commercial lease agreement with a term of five years and three months, effective from February 7, 2019 to April 30, 2024, to rent the premises where the assets were located to open a new store.

On January 26, 2019, the Company entered into another asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Nevada Corp., to purchase the assets from Reno Hydroponics, Inc. located in Reno, Nevada. The acquisition was completed on February 11, 2019. In connection with the purchase of the assets, the Company also entered into a one-year commercial lease agreement, effective from February 1, 2019 to January 31, 2020, to rent the premises where the assets were located to open a new store. The Company has since entered into a new lease expiring March 31, 2021.

In March 2019, the Company consolidated its store located in Canon City, CO with its Pueblo West, CO store.

Effective January 1, 2019 our two Santa Rosa, CA stores were consolidated into a single store at our Santa Rosa Moorland location acquired in July 2018.

On December 1, 2018, the Company entered into a lease agreement through its wholly-owned subsidiary, GrowGeneration Rhode Island, Corp., to rent certain premises located in Brewer, Maine, to be effective from December 1, 2018 to February 28, 2023. This premises will be used by the Company to open a new store.

On November 28, 2018, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Pueblo Corp., to purchase the assets of Chlorophyll, Inc., located in Denver, Colorado. In connection with the purchase of the assets, the Company also entered into a five-year commercial lease agreement, effective from January 21, 2019, to rent the premises where the assets are located to open a new store.

In November 2018, the Company signed a commercial lease to open a 9,600 Sq. Ft. warehouse and product showroom in Tulsa to service the emerging legal cannabis cultivators in the State of Oklahoma. The lease is effective from January 1, 2019 to December 31, 2024. The Company opened this store for business on February 1, 2019.

In October 2018, the Company consolidated its store located in Boulder, CO with our Denver, CO store.

On August 30, 2018, the Company entered into an asset purchase agreement, amended on September 14, 2018, with Virgus, Inc. d/b/a/ Heavy Gardens, an online store of hydroponic and garden supplies ("Heavy Gardens") to purchase the assets of Heavy Gardens through its wholly-owned subsidiary, GrowGeneration HG Corp. The closing of the asset purchase took place on September 14, 2018.

On August 23, 2018, the Company signed a commercial lease to open a 10,000 Sq. Ft. warehouse and product showroom in Oklahoma City to service the emerging legal cannabis cultivators in the State of Oklahoma. The lease is effective from October 1, 2018 to September 30, 2023. The Company opened this store for business on October 1, 2018.

On June 28, 2018, the Company entered into a restated and amended asset purchase agreement to purchase the assets of a retail hydroponic store, Santa Rosa Hydroponics & Grower Supply Inc., located in Santa Rosa, California. On July 13, 2018, the parties entered into an amendment to the purchase agreement and conducted the closing of the asset purchase. In connection with the purchase of the assets, the Company also entered into a commercial lease agreement, effective from July 14, 2018 to July 13, 2023, to rent the premises where the assets were located.

In May 2018, the Company consolidated its store located in Colorado Springs, CO with our Denver, CO store and in April 2018, consolidated its store located in Pueblo West with its Pueblo Downtown store.

On May 9, 2018, GrowGeneration Corp. (the "Company") completed a private placement (the "Offering") of a total of 33.33 units (the "Units") of the Company's securities at the price of \$300,000 per Unit pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of Regulation D promulgated under the Securities Act. Each Unit consists of (i) 100,000 shares of the Company's \$.001 par value common stock (the "Shares") and (ii) 50,000 3-year warrants (the "Warrants"), each entitling the holder to purchase one share of the Company's common stock, at a price of \$.35 per share or through cashless exercise. The Company raised a total of \$10,000,000 from three accredited investors.

On April 12, 2018, the Company entered into an asset purchase agreement through its wholly-owned subsidiary, GrowGeneration Michigan Corp., to purchase substantially all of the assets of Superior Growers Supply, Inc.'s business located in Michigan. In connection with the purchase of the assets, the Company also entered into a commercial lease, effective from April 12, 2018 to April 11, 2023, to rent the premises where a part of the assets are located. The Company entered into two additional leases. Following this acquisition, the Company opened three stores in the state of Michigan.



## RESULTS OF OPERATIONS

	For the Year Ended		Year to Year Comparison	
	December 31,		Increase/ (decrease)	Percentage Change
	2019	2018		
Sales	\$ 79,733,568	\$ 29,000,730	\$ 50,732,838	174.9%
Cost of Sales	57,171,721	22,556,172	34,615,549	153.5%
Gross profit	22,561,847	6,444,558	16,117,289	250.1%
Operating expenses	20,421,726	10,700,206	9,721,520	90.9%
Income (loss) from operations	2,140,121	(4,255,648)	6,395,769	298.8%
Other income (expense)	(261,317)	(818,107)	556,790	
Net Income (loss)	\$ 1,878,804	\$ (5,073,755)	\$ 6,952,559	370.1%

### Revenue

Net revenue for the year ended December 31, 2019 were approximately \$79.7 million, compared to approximately \$29 million for the year ended December 31, 2018, an increase of \$50.7 million, or 175%. The increase in revenues is due to the addition of 10 new retail stores opened or acquired during 2019 for which there were no sales for these retail stores for the year ended December 31, 2018, and 8 stores and the e-commerce site opened or acquired at various times during 2018 that were open for all of 2019. Sales in the 10 new stores opened or acquired in 2019 were \$26 million. Sales from the e-commerce site and the 8 stores opened in 2018 were approximately \$38.3 million for the year ended December 31, 2019, compared to approximately \$14.5 million for the year ended December 31, 2018. The Company also had store closures and consolidations in 2019 and 2018. Sales of the closed and consolidated stores was approximately \$909,000 for the year ended December 31, 2019 and approximately \$4.5 million for the year ended December 31, 2018.

While the Company continues to focus on the 9 markets noted below and the growth opportunities that exist in each market, we also are focusing on new store acquisitions, proprietary products, and developing our online sales with GrowGen.Pro and Amazon sales.

	Sales by Market		
	Year Ended	Year Ended	Variance
	December 31, 2019	December 31, 2018	
Colorado market	\$ 15,490,021	\$ 6,665,197	\$ 8,824,824
California market	15,570,418	5,964,080	9,606,338
Rhode Island market	8,395,123	4,700,102	3,695,021
Michigan market	9,268,460	3,086,693	6,181,767
Maine market	6,203,649	-	6,203,649
Nevada market	4,360,013	1,924,025	2,435,988
Washington market	1,283,169	939,231	343,938
Oklahoma market	11,793,303	463,264	11,330,039
Oregon market	153,856	-	153,856
Closed/consolidated locations	908,642	4,473,222	(3,564,580)
Hemp market	1,583,176	-	1,583,176
E-commerce site	4,763,738	784,916	3,978,822
Total revenues	\$ 79,773,568	\$ 29,000,730	\$ 50,772,838

Overall sales in the Colorado market increased approximately \$8.8 million or 132%, as noted above, comparing the year ended December 31, 2019 to the year ended December 31, 2018, with a majority of that increase, \$6 million, attributable to the acquisition of our new Denver north store location in January 2019. The remaining Colorado stores saw an increase of approximately \$2.8 million from 2018 to 2019. We continue to focus selling efforts in building growth in this market primarily the commercial market.

Our sales in the California market have seen growth of approximately \$9.6 million or 161% primarily from the addition of 5 new stores through acquisitions during 2018, these 5 stores contributed revenue of \$15.6 million in 2019, compared to \$6 million in 2018, The California market experienced slower growth in 2018 as a result of a change in the regulatory environment, and the implementation of new rules and regulations which slowed the issuance of new licenses. However, the Company positioned itself well in 2018 with its acquisitions to take advantage of the new licenses issued.

Revenues in the Rhode Island and Michigan markets are the result of new acquisitions in 2018 and one acquisition in Michigan in 2019. Rhode Island sales increased \$3.7 million from 2018 to 2019, an increase of 79% and sales in Michigan increased \$6.2 million or 200% from 2018 to 2019. In both Rhode Island and Michigan increases in commercial sales are primarily responsible for the overall increase.

Maine was a new market in 2019 as a result of us opening a new store in February 2019 and the acquisition of two stores in May 2019.

Our revenue in the Nevada market increased by approximately \$2.4 million, comparing the year ended December 31, 2019 to year ended December 31, 2018, primarily because of the acquisition of our Reno location in February 2019 that contributed \$2.1 million in revenues in 2019. The Las Vegas store saw an increase of \$329,000 or 17% from 2018 to 2019. The Company continues to focus on adding commercial customers in the Nevada market.

Revenues in the Washington market increased \$344,000 or 37% from 2018 to 2019, as the Company continues to focus on adding commercial customers in this location.

Oregon was a new market in 2019, with an acquisition of a new store in December 2019.

The Company opened its first store in Oklahoma in October 2018, followed by new store openings in February 2019 and November 2019. Oklahoma has been a significant new market for the Company contributing sales of \$11.8 million in 2019 compared to \$463,000 in 2018. The Company has a very strong presence in this market and opened its fourth location in March 2020. Oklahoma has generated strong sales in both commercial and non-commercial customers.

The Company had the same 6 stores (four in Colorado, one in Washington and one in Nevada) opened for the entire year ended December 31, 2019 and 2018. These same stores generated \$13 million in sales for the year ended December 31, 2019, compared to \$9.5 million in sales for the same period ended December 31, 2018, an increase of 36.4%. The increase in revenues in these six same store sales was primarily an increase in the commercial sales.

	<b>6 Same Stores</b>		
	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>	<b>Variance</b>
Net revenue	\$ 12,995,795	\$ 9,528,453	\$ 3,467,342

#### **Cost of Goods Sold**

Cost of goods sold for the year ended December 31, 2019 increased approximately \$34.6 million or 153.5%, to \$57.2 million, compared to \$22.6 million for the year ended December 31, 2018. The increase in cost of goods sold was due to the 174.9% increase in revenues, comparing the year ended December 31, 2018 to 2019 primarily due to the increase in the number of stores between 2018 and 2019 as noted in more detail above.

Gross profit was \$22.6 million for the year ended December 31, 2019, as compared to \$6.4 million for the year ended December 31, 2018, an increase of approximately \$16.1 million or 250.1%. Gross profit as a percentage of sales was 28.3% for the year ended December 31, 2019, compared to 22.2% for the year ended December 31, 2018. The increase in the gross profit margin percentage in 2019 was due to (1) reduced pricing from vendors as a result of our increasing purchases from those vendors, and (2) the sale of product acquired in a large bulk purchase in the first quarter of 2019 at a substantial discount. The increase in the gross profit percentage was also due to the slight decrease in non-cash inventory valuation adjustments of approximately \$870,000 in 2018, compared to \$809,000 in 2019. The inventory valuation adjustments consist of a reserve for obsolete inventory as well as the write down of inventory resulting from physical inventory counts and to its current fair market value where that is lower than cost.

## Operating Expenses

Operating expenses are comprised of store operations, primarily payroll, rent and utilities, and corporate overhead. Store operating costs were approximately \$10.1 million for the year ended December 31, 2019, compared to approximately \$5.2 million for the year ended December 31, 2018, an increase of approximately \$4.9 million or 94%. The increase in store operating costs was due to the addition of 10 new stores in 2019 and 9 new stores 2018. Revenues increased 174.9%, but store operating costs increased only 94%. Store operating costs as a percentage of sales were 12.7% for the year ended December 31, 2019, compared to 18% for the year ended December 31, 2018, a 41% improvement. Store operating costs were positively impacted by the acquisitions of new stores in 2018 and 2019 which have a lower percentage of operating costs to revenues due to their larger size and higher volume. The net impact, as noted above, resulted in lower store operating costs as a percentage of revenues.

Corporate overhead is comprised of, share-based compensation, depreciation and amortization, general and administrative costs and corporate salaries and related expenses and were approximately \$10.3 million for the year ended December 31, 2019, compared to approximately \$5.5 million for the year ended December 31, 2018. Corporate overhead costs were 13% of revenue for the year ended December 31, 2019, compare to 18.9% for the year ended December 31, 2018. The increase in salaries and related expense from 2018 to 2019 was due to the increase in corporate staff, primarily, accounting and finance, inventory management, sales and information technology, store operations, to support both current and future operations and to increase stores commercial sales. Corporate salaries as a percentage of sales were 4.5% for the year ended December 31, 2019 and 5.7% for the year ended December 31, 2018. The decrease in this percentage is because corporate staff costs do not rise directly commensurate with the increase in revenues. Current corporate staff levels will not rise commensurate with increase in revenues in the future and the percentage of salaries to sales will decline. General and administrative expenses, comprised mainly of advertising and promotions, travel & entertainment, professional fees and insurance, was approximately \$3.2 million for the year ended December 31, 2019 and approximately \$1.6 million for the year ended December 31, 2018 with a majority of the increase in advertising and promotion and travel and entertainment. General and administrative costs as a percentage of revenue was 4% for the year ended December 31, 2019, compared to 5.5% for the year ended December 31, 2018. The decrease in this percentage once again is because the general and administrative costs do not rise commensurate with the increase in revenues.

Corporate overhead includes non-cash expenses, consisting primarily of depreciation and share-based compensation, which was approximately \$3.5 million for the year ended December 31, 2019, compared to approximately \$2.2 million for the year ended December 31, 2018.

## Net Income (Loss)

Net income for the year ended December 31, 2019 was approximately \$1.9 million, compared to a loss of approximately \$5.1 million for the year ended December 31, 2018, an increase of \$6.9 million. Net income for 2019 compared to the net loss for 2018 was primarily due to a 174.9% increase in revenues with only a 153.5% increase in cost of goods sold thereby increasing margin % and margin dollars by \$16.1 million in 2019. Store operating costs increased only \$4.9 million in 2019 compared to 2018, so the store operations contributed \$11.6 million more in profit in 2019 than in 2018. As noted previously, corporate overhead increased \$4.9 million over 2018 resulting in net income of \$1.9 million for 2019, compared to a loss of \$5.1 million for 2018.

## Operating Activities

Net cash used in operating activities for the year ended December 31, 2019 was approximately \$3.3 million, compared to \$1.5 million for the year ended December 31, 2018, an increase of approximately \$1.8 million. Cash provided by operating activities is driven by our net income (loss) and adjusted by non-cash items as well as changes in operating assets and liabilities. Non-cash adjustments primarily include depreciation, amortization of intangible assets, share based compensation expense and changes in valuation allowances. Non-cash adjustment totaled approximately \$4.4 million and approximately \$3.4 for the years ended December 31, 2019 and 2018, respectively, so non-cash adjustments had a greater impact on net cash provided by operating activities for the year ended December 31, 2019 than the same period in 2018. Despite net income of \$1.9 million and non-cash adjustments of \$4.4 million for 2019, these positive adjustments were offset by increases in inventory of \$10.5 million, increases in trade receivable of \$3.8 million and increases in other current assets of \$2.1 million offset by increases in trade accounts payable of \$4.2 million, customer deposits of \$2 million and other current liabilities of \$500,000. For the year ended December 31, 2018 the net loss of \$5.1 million was offset by non-cash adjustments totaling \$3.4 million and the increases in current assets of \$1.2 million were offset the increase in current liabilities of \$1.3 million, so the net cash used in operating activities in 2018 was primarily related to the net loss.

Net cash used in investing activities was approximately \$11.8 for the year ended December 31, 2019 and approximately \$6.4 million for the year ended December 31, 2018. The increase in 2019 was due to the multiple asset acquisitions throughout 2019 and the purchase of vehicles and store equipment to support new store operations. During 2019, we opened or acquired 10 new stores and as such we incurred expenditures for store racking and displays, vehicles and other store furniture and fixtures. During 2018, we opened or acquired 9 new stores and as such we incurred expenditures for store racking and displays, vehicles and other store furniture and fixtures.

Net cash provided by financing activities for the year ended December 31, 2019 was approximately \$13 million and represented proceeds from the sale of Common Stock and exercise of warrants, net of offering costs, of \$13.9 million offset by payments of long-term debt of \$460,000. Net cash provided by financing activities for the year ended December 31, 2018 was approximately \$21.3 million and was comprised of primarily from proceeds from the sales of Common Stock and exercise of warrants, net of offering costs of \$12.9 million and proceeds from convertible debt of \$8.9 million, net of payments of long-term debt of \$455,000.

#### Use of Non-GAAP Financial Information

The Company believes that the presentation of results excluding certain items in "Adjusted EBITDA," such as non-cash equity compensation charges, provides meaningful supplemental information to both management and investors, facilitating the evaluation of performance across reporting periods. The Company uses these non-GAAP measures for internal planning and reporting purposes. These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or net income per share prepared in accordance with generally accepted accounting principles.

Set forth below is a reconciliation of Adjusted EBITDA to net income (loss):

	Year ended	
	December 31, 2019	December 31, 2018
Net Income (loss)	\$ 1,878,804	\$ (5,073,755)
Interest	45,191	23,565
Depreciation and Amortization	1,044,553	351,070
EBITDA	2,968,548	(4,699,120)
Lease termination fees	-	35,000
Audit fees related to business combinations	-	85,200
Non-cash operating lease expense	16,375	-
Inventory valuation adjustments	809,286	870,257
Amortization of debt discount	356,306	989,601
Share based compensation (option comp, warrant comp, stock issued for services)	2,490,535	1,895,219
Adjusted EBITDA	\$ 6,641,050	\$ (823,843)
Adjusted EBITDA per share, basic	\$ .20	\$ (.04)
Adjusted EBITDA per share, diluted	\$ .17	\$ (.04)

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2019, we had working capital of approximately \$30.6 million, compared to working capital of approximately \$21.6 million as of December 31, 2018, an increase of approximately \$9 million. The increase in working capital from December 31, 2018 to December 31, 2019 was due primarily to the proceeds from the sale of Common Stock, proceeds for a convertible debt offering and exercise of warrants totaling approximately \$13.9 million. At December 31, 2019, we had cash and cash equivalents of approximately \$13 million. We believe that existing cash and cash equivalents are sufficient to fund existing operations for the next twelve months.

We anticipate that we will need additional financing in the future to continue to acquire and open new stores. To date we have financed our operations through the issuance of the sale of Common Stock, warrants and convertible debentures.

### Financing Activities

#### 2019 Offerings

On June 26, 2019, the Company completed a private placement of a total of 4,123,257 units of the Company's securities at the price of \$3.10 per unit pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Each unit consisted of (i) one share of Common Stock and (ii) one 3-year warrant, each entitling the holder to purchase one half share of Common Stock, at a price of \$3.50 per share. The Company raised a total of \$12,782,099 from 19 accredited investors.

#### 2018 Offerings

On January 17, 2018, the Company completed a private placement of a total of 36 units of its securities at the price of \$250,000 per unit. Each unit consists of (i) a .1% unsecured convertible promissory note of the principal amount of \$250,000, and (ii) a 3-year warrant entitling the holder to purchase 37,500 shares of Common Stock, at a price of \$.01 per share or through cashless exercise. The Company raised gross proceeds of \$9,000,000 from 23 accredited investors in the offering.

On May 9, 2018, the Company completed a private placement of a total of 33.33 units of the Company's securities at the price of \$300,000 per unit pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. Each unit consists of (i) 100,000 shares of the Company's \$.001 par value common stock and (ii) 50,000 3-year warrants, each entitling the holder to purchase one share of the Company's common stock, at a price of \$.35 per share or through cashless exercise. The Company raised a total of \$10,000,000 from three accredited investors.

### OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

### RECENTLY ISSUED ACCOUNTING STANDARDS

#### Recently Adopted Accounting Pronouncements

During the first quarter of 2019, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which introduces the balance sheet recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company has adopted the new lease standard using the new transition option issued under the amendments in ASU 2018-11, *Leases*, which allowed the Company to continue to apply the legacy guidance in Accounting Standards Codification (ASC) 840, *Leases*, in the comparative periods presented in the year of adoption. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The Company will recognize those lease payments on a straight-line basis over the lease term. The impact of the adoption was an increase to the Company's operating lease assets and liabilities on January 1, 2019 of \$3.2 million.

On January 1, 2019, the Company also adopted ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting.” ASU 2018-07 more closely aligns the accounting for employee and nonemployee share-based payments. The amendment is effective commencing in 2019 with early adoption permitted. The adoption of this new guidance did not have a material impact on our Financial Statements.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. These amendments eliminate, modify, or integrate into other SEC requirements certain disclosure rules. Among the amendments is the requirement to present an analysis of changes in stockholders’ equity in the interim financial statements included in Quarterly Reports on Form 10-Q. The analysis, which can be presented as a footnote or separate statement, is required for the current and comparative quarter and year-to-date interim periods. The amendments are effective for all filings made on or after November 5, 2018. The Company adopted these amendments in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. Additionally, the ASU 2016-01 changes the disclosure requirements for financial instruments. The new standard was effective for the Company starting in the first quarter of fiscal 2019. The adoption of this standard on January 1, 2019 did not have any effect on the consolidated financial statements and footnote disclosure.

On August 28, 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging,” which better aligns risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and in some situations better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The new standard was effective for the Company as of January 1, 2019. The adoption of this new standard on January 1, 2019 did not have any impact on our consolidated financial statements and footnote disclosures.

#### **Recently Issued Accounting Pronouncements – Pending Adoption**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this guidance on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company does not anticipate that the adoption of ASU 2018-13 will have a material impact on the Company’s consolidated financial statements or related financial statement disclosures.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## Connolly, Grady & Cha, P.C.

Certified Public Accountants

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of GrowGeneration Corp

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of GrowGeneration Corp and Subsidiaries (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholder s' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Connolly Grady & Cha, P.C

Certified Public Accountants  
We have served as the Company's auditor since 2014  
Springfield, Pennsylvania

March 27, 2020



**GROWGENERATION CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> 2019	<u>December 31,</u> 2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 12,979,444	\$ 14,639,981
Accounts receivable, net of allowance for doubtful accounts of \$291,372 and \$133,288 at December 31, 2019 and 2018	4,455,209	862,397
Inventory	22,659,357	8,869,469
Prepays and other current assets	2,549,559	606,037
Total current assets	<u>42,643,569</u>	<u>24,977,884</u>
Property and equipment, net	3,340,616	1,820,821
Operating leases right-of-use assets, net	7,628,591	-
Intangible assets, net	233,280	114,155
Goodwill	17,798,932	8,752,909
Other assets	377,364	227,205
<b>TOTAL ASSETS</b>	<u><u>\$ 72,022,352</u></u>	<u><u>\$ 35,892,974</u></u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,024,750	\$ 1,819,411
Accrued liabilities	-	40,151
Payroll and payroll tax liabilities	1,072,142	410,345
Customer deposits	2,503,785	516,038
Sales tax payable	533,656	191,958
Current maturities of right-of-use assets	1,836,700	-
Current portion of long-term debt	110,231	436,813
Total current liabilities	<u>12,081,264</u>	<u>3,414,716</u>
Long-term convertible debt, net of debt discount and debt issuance costs	-	2,044,113
Operating leases right-of-use assets, net of current maturities	5,807,266	-
Long-term debt, net of current portion	242,079	375,626
Total liabilities	<u>18,130,609</u>	<u>5,834,455</u>
Commitments and contingencies		
Stockholders' Equity:		
Common stock; \$.001 par value; 100,000,000 shares authorized; 36,876,305 and 27,948,609 shares issued and outstanding as of December 31, 2019 and 2018, respectively	36,876	27,949
Additional paid-in capital	60,742,055	38,796,562
Accumulated deficit	(6,887,188)	(8,765,992)
Total stockholders' equity	<u>53,891,743</u>	<u>30,058,519</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 72,022,352</u></u>	<u><u>\$ 35,892,974</u></u>

The accompanying notes are an integral part of these audited consolidated financial statements.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2019	2018
Sales	\$ 79,733,568	\$ 29,000,730
Cost of sales	<u>57,171,721</u>	<u>22,556,172</u>
Gross profit	22,561,847	6,444,558
Operating expenses:		
Store operations	10,095,422	5,202,330
General and administrative	3,172,019	1,603,421
Share based compensation	2,490,535	1,895,219
Depreciation and amortization	1,044,553	351,070
Salaries and related expenses	3,619,197	1,648,166
Total operating expenses	<u>20,421,726</u>	<u>10,700,206</u>
Net income (loss) from operations	2,140,121	(4,255,648)
Other income (expense):		
Miscellaneous income (expense)	(4,545)	115,875
Interest income	144,725	79,184
Interest expense	(45,191)	(23,565)
Amortization of debt discount	(356,306)	(989,601)
Total non-operating income (expense), net	<u>(261,317)</u>	<u>(818,107)</u>
Net income (loss)	<u>\$ 1,878,804</u>	<u>\$ (5,073,755)</u>
Net income (loss) per share, basic	<u>\$ .06</u>	<u>\$ (.22)</u>
Net income (loss) per share, diluted	<u>\$ .05</u>	<u>\$ (.22)</u>
Weighted average shares outstanding, basic	<u>32,833,594</u>	<u>23,492,650</u>
Weighted average shares outstanding, diluted	<u>39,228,696</u>	<u>23,492,650</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	Common Stock		Additional Paid-In Capital	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balances, December 31, 2017	16,846,835	\$ 16,846	\$ 11,254,212	\$ (3,692,237)	\$ 7,578,821
Sale of Common stock and warrants, net of fees	3,333,333	3,333	9,956,544	-	9,959,877
Warrants issued for services	-	-	456,807	-	456,807
Stock option expense	-	-	546,370	-	546,370
Common stock issued upon warrant exercise	3,076,461	3,077	2,590,617	-	2,593,694
Common stock issued upon exercise of options	995,186	995	320,706	-	321,701
Common stock issued in connection with business combinations	1,550,000	1,550	5,303,600	-	5,305,150
Common stock issued upon conversion of convertible debt	2,013,294	2,014	3,619,917	-	3,621,931
Warrants issued with convertible debt	-	-	4,239,000	-	4,239,000
Common stock issued for services	107,500	108	400,395	-	400,503
Common stock issued for accrued share-based compensation	26,000	26	108,394	-	108,420
Net loss				(5,073,755)	(5,073,755)
Balances, December 31, 2018	27,948,609	\$ 27,949	38,796,562	\$ (8,765,992)	\$ 30,058,519
Sale of Common stock and warrants, net of fees	4,123,254	4,123	12,639,510	-	12,643,633
Share based compensation			1,215,273	-	1,215,273
Common stock issued upon warrant exercise	1,757,913	1,758	1,298,141	-	1,299,899
Common stock issued upon exercise of options	10,000	10	5,990	-	6,000
Common stock issued upon cashless exercise of options	505,868	506	(506)	-	-
Common stock issued in connection with business combinations	969,553	969	3,624,411	-	3,625,380
Common stock issued upon conversion of convertible debt	1,258,608	1,259	2,404,010	-	2,405,269
Common stock issued for services	202,500	202	548,564	-	548,766
Common stock issued for accrued share-based compensation	100,000	100	210,100	-	210,200
Net income				1,878,804	1,878,804
Balances, December 31, 2019	<u>36,876,305</u>	<u>\$ 36,876</u>	<u>\$ 60,742,055</u>	<u>\$ (6,887,188)</u>	<u>\$ 53,891,743</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net income (loss)	\$ 1,878,804	\$ (5,073,755)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,044,553	351,069
Provision for doubtful accounts receivable	172,135	35,459
Inventory valuation reserve	429,126	153,397
Amortization of debt discount	356,306	989,601
Stock based compensation	2,490,535	1,895,219
Noncash operating lease expense	15,375	-
Other	(66,536)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(3,764,947)	(244,288)
Inventory	(10,482,014)	(792,575)
Prepaid expenses and other assets	(2,061,701)	(182,616)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,165,188	514,154
Customer deposits	1,987,747	423,688
Payroll and payroll tax liabilities	154,471	270,878
Sales taxes payable	341,698	118,738
Net Cash (Used In) Operating Activities	<u>(3,339,260)</u>	<u>(1,541,031)</u>
Cash Flows from Investing Activities:		
Assets acquired in business combinations	(9,458,743)	(5,680,409)
Purchase of property and equipment	(2,232,812)	(625,379)
Purchase of goodwill and other intangibles	(119,125)	(61,523)
Net Cash (Used In) Investing Activities	<u>(11,810,680)</u>	<u>(6,367,311)</u>
Cash Flows from Financing Activities:		
Principal payments on long term debt	(460,129)	(454,979)
Proceeds from issuance of convertible debt, net of expenses	-	8,912,765
Proceeds from the sales of common stock and exercise of warrants and options, net of expenses	13,949,532	12,875,272
Net Cash Provided by Financing Activities	<u>13,489,403</u>	<u>21,333,058</u>
Net Increase(decrease) in Cash and Cash Equivalents	(1,660,537)	13,424,716
Cash and Cash Equivalents at Beginning of year	14,639,981	1,215,265
Cash and Cash Equivalents at End of year	<u>\$ 12,979,444</u>	<u>\$ 14,639,981</u>
Supplemental Information:		
Common stock and warrants issued for prepaid services	\$ 96,000	\$ 45,000
Common stock issued for accrued payroll liability	210,200	-
Debt converted to Equity	2,310,832	3,621,931
Assets acquired by issuance of stock	3,625,380	5,305,150
Warrants issued for debt discount	-	4,239,000
Acquisition of vehicles with debt financing	-	56,174
Interest paid during the period	\$ 45,191	\$ 23,565
Acquisition of assets with seller financing	-	1,087,000

The accompanying notes are an integral part of these audited consolidated financial statements.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

1. NATURE OF OPERATIONS

GrowGeneration Corp (the “Company”) was incorporated on March 6, 2014 in Colorado under the name of EasyLife Corp and changed its name to GrowGeneration Corp. It maintains its principal office in Denver, Colorado.

GrowGeneration is the largest chain of hydroponic garden centers in North America and is a leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting, ventilation systems and accessories for hydroponic gardening. As of March 27, 2020, the Company owns and operates a chain of twenty seven (27) retail hydroponic/gardening stores, with five (5) located in the state of Colorado, four (4) in the state of California, four (4) in the state of Michigan, two (2) in the state of Nevada, one (1) in the state of Washington, one (1) in the state of Oregon, four (4) in the State of Oklahoma, one (1) in the state of Rhode Island, three (3) in Maine, (1) in Florida, one (1) distribution center in California and an online e-commerce store, GrowGen.Pro. In addition, we operate a warehouse out of Sacramento, CA. Our plan is to acquire, open and operate hydroponic/gardening stores and related businesses throughout the United States and Canada.

The Company engages in its business through its wholly owned subsidiaries, GrowGeneration Pueblo Corp, GrowGeneration California Corp, Grow Generation Nevada Corp, GrowGeneration Washington Corp, GrowGeneration Rhode Island Corp, GrowGeneration Oklahoma Corp, GrowGeneration Canada, GrowGeneration HG Corp, GrowGeneration Hemp Corp, GGen Distribution Corp, GrowGeneration Michigan Corp, GrowGeneration New England Corp, GrowGeneration Florida Corp and GrowGeneration Management Corp.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The financial statements are prepared under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 105-10, *Generally Accepted Accounting Principles*, in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

The consolidated financial statements include the Company and its wholly-owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported consolidated net income (loss).

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Segment Reporting

Management makes significant operating decisions based upon the analysis of the entire Company and financial performance is evaluated on a company-wide basis. Accordingly, the various products sold are aggregated into one reportable operating segment as under guidance in the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC or codification”) Topic 280 for segment reporting.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company recognizes revenue, net of estimated returns and sales tax, at the time the customer takes possession of merchandise or receives services. When the Company receives payment from customers before the customer has taken possession of the merchandise or the service has been performed, the amount received is recorded as Deferred Revenue in the accompanying Consolidated Balance Sheets until the sale or service is complete.

Vendor Allowances

Vendor allowances primarily consist of volume rebates that are earned as a result of attaining certain purchase levels. These vendor allowances are accrued as earned, with those allowances received as a result of attaining certain purchase levels accrued over the incentive period based on estimates of purchases.

Volume rebates, when earned, are recorded as a reduction in Cost of Sales.

Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company's cash equivalents are carried at fair market value and consist primarily of money market funds.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from balances outstanding at year-end, based on the Company's assessment of the credit history with customers having outstanding balances and current relationships with them. A reserve for uncollectable receivables is established when collection of amounts due is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, client cash flow difficulties or ongoing service or billing disputes. Credit is generally extended on a short-term basis thus receivables do not bear interest. At December 31, 2019 and 2018, the Company established an allowance for doubtful accounts of \$291,372 and \$133,288, respectively.

Inventory

Inventory consists primarily of gardening supplies and materials and is recorded at the lower of cost (first-in, first-out method) or market. The company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. Write-downs and write-offs are charged to cost of goods sold.

Property and Equipment

Property and equipment are carried at cost. Leasehold Improvements are amortized using the straight-line method over the original term of the lease or the useful life of the improvement, whichever is shorter. Renewals and betterment that materially extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged against operations. Depreciation of property and equipment is provided on the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<b>Estimated Lives</b>
Vehicle	5 years
Furniture and fixtures	5-7 years
Computers and equipment	3-5 years
Leasehold improvements	10 years not to exceed lease term

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

We assess whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We have elected the practical expedient to not separate lease and non-lease components for all assets. Operating lease assets and operating lease liabilities are calculated based on the present value of the future minimum lease payments over the lease term at the lease start date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease start date in determining the present value of future payments. The operating lease asset is increased by any lease payments made at or before the lease start date and reduced by lease incentives and initial direct costs incurred. The lease term includes options to renew or terminate the lease when it is reasonably certain that we will exercise that option. The exercise of lease renewal options is at our sole discretion. The depreciable life of lease assets and leasehold improvements are limited by the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

Fair Value of Financial Instruments

The fair value of certain of our financial instruments including cash and cash equivalents, accounts receivable, prepaid assets, employee advances, accounts payable, customer deposits, payroll and payroll tax liabilities, sales tax payable and notes payable approximate their carrying amounts because of the short-term maturity of these instruments.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and equipment, reserve for obsolete inventory and bad debt. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB ASC 740-10-25, which prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. FASB ASC 740-10-25 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions. The Company's tax returns are subject to tax examinations by U.S. federal and state authorities until respective statute of limitation. Currently, the 2018, 2017, and 2016 tax years are open and subject to examination by taxing authorities. However, the Company is not currently under audit nor has the Company been contacted by any of the taxing authorities. The Company does not have any accruals for uncertain tax positions as of December 31, 2019. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

Concentration of Risk

Financial instruments that potentially expose us to concentrations of risk consist primarily of cash and cash equivalents and accounts receivable, which are generally not collateralized. Our policy is to place our cash and cash equivalents with high quality financial institutions, in order to limit the amount of credit exposure. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. At December 31, 2019 and 2018, the Company had \$11,229,444 and \$12,962,958, respectively, in excess of the FDIC insurance limit. The Company generally does not require collateral from its customers, but its credit extension and collection policies include analyzing the financial condition of potential customers, establishing credit limits, monitoring payments, and aggressively pursuing delinquent accounts. The Company maintains allowance for potential credit losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Company expenses advertising and promotional costs when incurred. Advertising and promotional expenses for the years ended December 31, 2019 and 2018 amounted to \$736,656 and \$269,550, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets. The Company accounts for goodwill in accordance with the provisions of FASB Accounting Standards Update (ASU) 2014-02, Intangibles – Goodwill and Other (Topic 350) Accounting for Goodwill. In accordance with FASB ASC Topic 350 for Intangibles – Goodwill and Other, goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The Company’s review for impairment includes an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its’ carrying value, including goodwill. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its’ carrying value, including goodwill, the first step of the two-step quantitative goodwill impairment test is performed, which compares the fair value of the reporting unit with its’ carrying amounts, including goodwill. If the fair value of the reporting unit exceeds its’ carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, additional procedures must be performed. That additional procedure compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

Earnings (Loss) Per Share

The Company computes net earnings (loss) per share under Accounting Standards Codification subtopic 260-10, “Earnings Per Share” (“ASC 260-10”). Basic earnings or loss per share (“EPS”) is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average of all potentially dilutive shares of common stock that were outstanding during the periods presented.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period.

Stock Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* (“ASC 718”). The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The fair value of stock options granted is recognized as an expense over the requisite service period. Stock-based compensation expense for all share-based payment awards are recognized using the straight-line single-option method.

The Black-Scholes option pricing model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected life of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company’s stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods.



**GROWGENERATION CORP. AND SUBSIDIARIES**  
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3. RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, the Financial Accounting Standards Board (“FASB”) or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update (“ASU”). We have implemented all new accounting pronouncements that are in effect and that may impact our financial statements. We have evaluated recently issued accounting pronouncements and determined that there is no material impact on our financial position or results of operations.

**Recently Adopted Accounting Pronouncements**

During the first quarter of 2019, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which introduces the balance sheet recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company has adopted the new lease standard using the new transition option issued under the amendments in ASU 2018-11, *Leases*, which allowed the Company to continue to apply the legacy guidance in Accounting Standards Codification (ASC) 840, *Leases*, in the comparative periods presented in the year of adoption. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The Company will recognize those lease payments on a straight-line basis over the lease term. The impact of the adoption was an increase to the Company’s operating lease assets and liabilities on January 1, 2019 of \$3.2 million.

On January 1, 2019, the Company also adopted ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting.” ASU 2018-07 more closely aligns the accounting for employee and nonemployee share-based payments. The amendment is effective commencing in 2019 with early adoption permitted. The adoption of this new guidance did not have a material impact on our Financial Statements.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. These amendments eliminate, modify, or integrate into other SEC requirements certain disclosure rules. Among the amendments is the requirement to present an analysis of changes in stockholders’ equity in the interim financial statements included in Quarterly Reports on Form 10-Q. The analysis, which can be presented as a footnote or separate statement, is required for the current and comparative quarter and year-to-date interim periods. The amendments are effective for all filings made on or after November 5, 2018. The Company adopted these amendments in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. Additionally, the ASU 2016-01 changes the disclosure requirements for financial instruments. The new standard was effective for the Company starting in the first quarter of fiscal 2019. The adoption of this standard on January 1, 2019 did not have any effect on the consolidated financial statements and footnote disclosure.

On August 28, 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging,” which better aligns risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and in some situations better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The new standard was effective for the Company as of January 1, 2019. The adoption of this new standard on January 1, 2019 did not have any impact on our consolidated financial statements and footnote disclosures.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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3. RECENT ACCOUNTING PRONOUNCEMENTS, Continued

**Recently Issued Accounting Pronouncements – Pending Adoption**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company does not anticipate that the adoption of ASU 2018-13 will have a material impact on the Company's consolidated financial statements or related financial statement disclosures.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	December 31,	
	2019	2018
Vehicle	\$ 1,148,993	\$ 535,857
Leasehold improvements	884,685	441,725
Furniture, fixtures and equipment	2,858,777	1,417,061
	4,892,455	2,394,643
Accumulated depreciation and amortization	(1,551,839)	(573,822)
Property and equipment, net	<u>\$ 3,340,616</u>	<u>\$ 1,820,821</u>

Depreciation expense was \$1,046,328 and \$350,415 for the years ended December 31, 2019 and 2018, respectively.

5. INCOME TAXES

On December 22, 2017, the U.S. President signed into law H.R.1, formerly known as the Tax Cuts and Jobs Act (the "Tax Legislation"). The Tax Legislation significantly revised the U.S. tax code by, (i) lowering the U.S federal statutory income tax rate from 35% to 21%, (ii) implementing a territorial tax system, (iii) imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries ("Transition Tax"), (iv) requiring a current inclusion of global intangible low taxed income ("GILTI") of certain earnings of controlled foreign corporations in U.S. federal taxable income, (v) creating the base erosion anti-abuse tax ("BEAT") regime, (vi) implementing bonus depreciation that will allow for full expensing of qualified property, and (vii) limiting deductibility of interest and executive compensation expense, among other changes. The Company has computed its 2018 current tax benefit using the U.S. federal statutory rates of 21% while it has computed its deferred tax expense using the new statutory rate effective on January 1, 2018 of 21%.

Other provisions of the new legislation that were not applicable to the Company until the year ended December 31, 2018 include, but are not limited to, limiting deductibility of interest and executive compensation expense. These additional items have been considered in our income tax provision for the year ended December 31, 2019 and the impact was not material to the overall financial statements.

The provision (benefit) for income taxes for the years ended December 31, 2019 and 2018 consisted of the following:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Income Tax Expense (benefit)		
Current federal tax expense		
Federal	\$ 479,000	\$ -0-
State	-0-	-0-
Deferred tax (benefit)		
Federal	\$ (479,000)	\$ -0-
State	-0-	-0-
Total	<u>\$ -0-</u>	<u>\$ -0-</u>

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5. INCOME TAXES, Continued

A summary of deferred tax assets and liabilities as of December 31, 2019 and 2018 is as follows:

	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
<b>Deferred tax assets:</b>		
Net operating losses	1,033,300	\$ 2,165,100
Deferred right to use lease liabilities	1,671,700	-
Stock based compensation	354,800	663,300
Amortization of debt discount	-	346,400
Accruals, reserves and other	160,200	66,100
	<u>3,220,000</u>	<u>3,240,900</u>
<b>Deferred tax liabilities:</b>		
Deferred right to use lease assets	1,678,300	-
Accumulated depreciation and amortization	\$ 360,000	\$ 358,000
	<u>2,038,300</u>	<u>358,000</u>
Gross deferred tax asset	1,181,700	2,882,900
Valuation Allowance	(1,181,700)	(2,882,900)
Deferred tax asset (liability), net	<u>\$ 0</u>	<u>\$ -0</u>

As of December 31, 2019, the Company had approximately \$4.7 million of operating loss carryforwards, which results in a Federal and State deferred tax asset of approximately \$1.03 million, expiring in 2037 through 2038.

We recorded a valuation allowance against all of our deferred tax assets as of both December 31, 2019, and December 31, 2018. We intend to continue maintaining a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. However, given our current earnings and anticipated future earnings, we believe that there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve

The differences between the U.S. Federal statutory income tax rate and the Company's effective tax rate were as follows for the years ended December 31, 2019 and 2018:

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Federal statutory tax rate	21%	21%
State and local income taxes (net of federal tax benefit)	-	-
	<u>21%</u>	<u>21</u>
Valuation allowance	(21)	(21)
	<u>0%</u>	<u>0%</u>

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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6. LONG-TERM DEBT

	December 31,	
	2019	2018
Long term debt is as follows:		
Hitachi Capital, interest at 8.0% per annum, payable in monthly installments of \$631.13 beginning September 2015 through August 2019, secured by delivery equipment with a book value of \$24,910	-	3,211
Wells Fargo Equipment Finance, interest at 3.5% per annum, payable in monthly installments of \$518.96 beginning April 2016 through March 2021, secured by warehouse equipment with a book value of \$25,437	7,109	12,976
Notes payable issued in connection with seller financing of assets acquired, interest at 1%, payable in 24 installments of \$24,996, due February 2020	24,997	350,000
Notes payable issued in connection with seller financing of assets acquired, interest at 1%, payable in 12 installments of \$6,003, due September 2019	-	54,000
Notes payable issued in connection with seller financing of assets acquired, interest at 8.125%, payable in 60 installments of \$8,440, due August 2023	320,204	392,252
	\$ 352,310	\$ 812,439
Less Current Maturities	(110,231)	(436,813)
Total Long-Term Debt	\$ 242,079	\$ 375,626

Debt maturities as of December 31, 2019 are as follows:

2020	\$ 110,231
2021	84,714
2022	91,860
2023	65,505
	\$ 352,310

Interest expense for the years ended December 31, 2019 and 2018 was \$45,191 and \$23,565, respectively.

7. LEASES

We determine if a contract contains a lease at inception. Our material operating leases consist of retail and warehouse locations as well as office space. Our leases generally have remaining terms of 1- 5 years, most of which include options to extend the leases for additional 3 to 5 year periods. Generally, the lease term is the minimum of the noncancelable period of the lease or the lease term inclusive of reasonably certain renewal periods.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term.

We elected this expedient to account for lease and non-lease components as a single component for our entire population of operating lease assets.

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7. LEASES, Continued

We have elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

	<b>December 31, 2019</b>
Right to use assets, operating lease assets	<u>\$ 7,628,591</u>
Current lease liability	\$ 1,836,700
Non-current lease liability	5,807,266
	<u>\$ 7,643,966</u>
	<b>December 31, 2019</b>
Weighted average remaining lease term	3.9 years
Weighted average discount rate	7.6%
Operating lease assets obtained for operating lease liabilities	\$ 3,050,164
Maturities of lease liabilities	
2020	\$ 2,496,070
2021	2,525,468
2022	2,078,123
2023	1,596,229
2024	813,984
2025	654,160
2026	352,955
2027	152,637
Total lease payments	<u>10,669,626</u>
Less: Imputed interest	<u>(3,025,660)</u>
Lease Liability at December 31, 2019	<u>\$ 7,643,966</u>

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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8. CONVERTIBLE DEBT

On January 12, 2018, the Company completed a private placement of a total of 36 units of the Company's securities at the price of \$250,000 per unit pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of Regulation D promulgated thereunder. Each unit consisted of (i) a .1% unsecured convertible promissory note of the principal amount of \$250,000, and (ii) a 3-year warrant entitling the holder to purchase 37,500 shares of the Company's common stock, par value \$.001 per share, at a price of \$.01 per share or through cashless exercise.

The convertible debt has a maturity date of January 12, 2021 and the principal balance and any accrued interest is convertible by the holder at any time into Common Stock of the Company at conversion price of \$3.00 a share. Principal due and interest accrued on the notes will automatically convert into shares of Common Stock, at the conversion price, if at any time during the term of the notes, commencing twelve (12) months from the date of issuance, the Common Stock trades minimum daily volume of at least 50,000 shares for twenty (20) consecutive days with a volume weighted average price of at least \$4.00 per share.

In relation to this transaction, the Company recorded a debt discount of \$4,239,000 related to the fair market value of warrants issued as noted above. The debt discount, which was based on an imputed interest rate, is being amortized on a straight-line basis over the life of the convertible debt.

During the year ended December 31, 2019, convertible debt and accrued interest of \$2,405,269, net of unamortized debt discount of \$674,581, was converted into 1,258,608 shares of common stock at the conversion rate of \$3.00 per share.

During the year ended December 31, 2018, convertible debt and accrued interest of \$5,927,677, net of unamortized debt discount of \$2,305,746, was converted into 2,013,294 shares of common stock at the conversion rate of \$3.00 per share.

	December 31,	
	2019	2018
Convertible debt	\$ -	\$ 3,075,000
Remaining unamortized debt discount and debt issue costs	-	(1,030,887)
Convertible debt, net of debt discount and debt issue costs	\$ -	\$ 2,044,113

Amortization of debt discount for the years ended December 31, 2019 and 2018 was \$356,306 and \$998,601, respectively.

At December 31, 2019 and 2018 there were 131,250 and 536,250 warrants outstanding, respectively, related to the issuance of convertible debt.

9. SHARE BASED PAYMENTS AND STOCK OPTIONS

On March 6, 2014, the Company's Board of Directors (the "Board") approved the 2014 Equity Incentive Plan ("2014 Plan") pursuant to which the Company may grant incentive, non-statutory options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock or cash awards to employees, nonemployee members of our Board, consultants and other independent advisors who provide services to the Company. The maximum shares of common stock which may be issued over the term of the plan shall not exceed 2,500,000 shares. Awards under this plan are made by the Board or a committee designated by the Board. Options under the plan are to be issued at the market price of the stock on the day of the grant except to those issued to holders of 10% or more of the Company's common stock which is required to be issued at a price not less than 110% of the fair market value on the day of the grant. Each option is exercisable at such time or times, during such period and for such numbers of shares shall be determined by the plan administrator. No option may be exercisable for more than ten years (five years in the case of an incentive stock option granted to a 10% stockholder) from the date of grant.

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9. SHARE BASED PAYMENTS AND STOCK OPTIONS, Continued

On January 7, 2018, the Board adopted the 2018 Equity Compensation Plan (the "2018 Plan") and on April 20, 2018, the shareholders approved the 2018 Plan. On February 7, 2020, the Board approved the amendment and restatement of the 2018 Plan to increase the number of shares issuable thereunder from 2,500,000 to 5,000,000, which amendment is pending shareholder approval. The 2018 Plan will be administered by the Board. The Board may grant options to purchase shares of Common Stock, stock appreciation rights, restricted stock units, restricted or unrestricted shares of Common Stock, performance shares, performance units, other cash-based awards and other stock-based awards. The Board also has broad authority to determine the terms and conditions of each option or other kind of equity award, adopt, amend and rescind rules and regulations for the administration of the 2018 Plan and amend or modify outstanding options, grants and awards.

No options, stock purchase rights or awards may be made under the 2018 Plan on or after the ten-year anniversary of the adoption of the 2018 Plan by the Board, but the 2018 Plan will continue thereafter while previously granted options, stock appreciation rights or awards remain subject to the 2018 Plan. The maximum shares of Common Stock which may be issued over the term of the plan, as amended shall not exceed 5,000,000 shares. Options granted under the 2018 Plan may be either "incentive stock options" that are intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or "nonstatutory stock options" that do not meet the requirements of Section 422 of the Code. The Board will determine the exercise price of options granted under the 2018 Plan. The exercise price of stock options may not be less than the fair market value, on the date of grant, per share of our Common Stock issuable upon exercise of the option (or 110% of fair market value in the case of incentive options granted to a ten-percent stockholder). No option may be exercisable for more than ten years (five years in the case of an incentive stock option granted to a 10% stockholder) from the date of grant.

Awards issued under the 2014 Plan as of December 31, 2019 are summarized below:

	<b>2019</b>
Total Shares available for issuance pursuant to the 2014 Plan	2,500,000
Options outstanding, December 31 2019	(995,500)
Total options exercised under 2014 Plan	(1,118,333)
Total shares issued pursuant to the 2014 Plan	(375,000)
Awards available for issuance under the 2014 Plan, December 31, 2019	11,167

Awards issued under the 2018 Plan as of December 31, 2019 are summarized below:

	<b>2019</b>
Total Shares available for issuance pursuant to the 2018 Plan, prior to amendment	2,500,000
Options outstanding, December 31 2019	(281,500)
Total options exercised under 2018 Plan	-
Total shares issued pursuant to the 2018 Plan	(9,500)
Awards available for issuance under the 2018 Plan, December 31, 2019	2,209,000

	<b>2019</b>	<b>2018</b>
Expected volatility	87.8%-92.7%	72.91%-90.81%
Expected dividends	None	None
Expected term	2-5 years	2.5 years
Risk-free rate	1.64%	1.64%

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

9. SHARE BASED PAYMENTS AND STOCK OPTIONS, Continued

The table below summarizes all the options granted by the Company during years ended December 31, 2019 and 2018:

<u>Options</u>	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Weighted- Average Grant Date Fair Value</u>
Outstanding at January 1, 2018	2,622,000	\$ .99		\$ .32
Granted	386,500	\$ 3.21		\$ 1.91
Exercised	(1,068,333)	\$ .67		\$ .12
Forfeited or expired	(124,667)	\$ .76		\$ .16
Outstanding at December 31, 2018	<u>1,815,500</u>	<u>\$ 1.66</u>	2.65 years	\$ .78
Vested and exercisable at December 31 2018	<u>1,393,831</u>	<u>\$ 1.39</u>	2.22 years	
Outstanding at January 1, 2019	1,815,500	\$ 1.66	2.65 years	\$ .78
Granted	1,380,000	\$ 3.25		\$ 2.18
Exercised	(667,500)	\$ .72		\$ .16
Forfeited or expired	(11,667)	\$ 3.05		\$ 1.63
Outstanding at December 31, 2019	<u>2,516,333</u>	<u>\$ 2.78</u>	3.81 years	\$ 1.71
Vested and exercisable at December 31, 2019	<u>1,346,333</u>	<u>\$ 2.35</u>	3.25 years	\$ 1.32

Share-based payment expense to officers, directors and employees and the years ended December 31, 2019 and 2018 was approximately \$2,223,100 and \$901,900, respectively.

Expense related to issuance of shares, options and warrants to consultants for the years ended December 31, 2019 and 2018 was approximately \$267,400 and \$501,800, respectively.

10. STOCK PURCHASE WARRANTS

A summary of the status of the Company's outstanding stock warrants as of December 31, 2019 is as follows:

		<u>Weighted Average Exercise Price</u>
Outstanding January 1, 2018	3,605,728	\$ 1.84
Granted/issued	1,916,500	\$ 1.01
Exercised	(2,242,728)	\$ 1.16
Forfeited	-	
Outstanding December 31, 2018	<u>3,279,500</u>	<u>\$ 1.94</u>
Granted/issued	2,061,629	\$ 3.50
Exercised	(1,643,610)	\$ .79
Forfeited	-	
Outstanding December 31, 2019	<u>3,697,519</u>	<u>\$ 3.25</u>



**GROWGENERATION CORP. AND SUBSIDIARIES**  
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**FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

11. STOCKHOLDERS' EQUITY

Common Stock

The Company's current Certificate of Incorporation authorizes it to issue 100,000,000 shares of common stock, par value \$0.001 per share. As of December 31, 2019, and 2018, there were 36,876,305 and 27,948,609 shares of common stock issued and outstanding, respectively.

**2019**

During the year ended December 31, 2019, the Company sold 4,123,254 shares of common stock for net proceeds of \$12,643,634.

During the year ended December 31, 2019, the Company issued 1,757,913 shares of common stock upon exercise of warrants resulting in proceeds to the Company of \$1,299,899.

During the year ended December 31, 2019, the Company issued 515,868 shares of common stock upon exercise of 667,500 options resulting in proceeds to the Company of \$6,000. Of the total options exercised, 657,500 options were exercised in a cashless option exercise.

During the year ended December 31, 2019, the Company issued 1,258,608 shares of common stock upon conversion of convertible debt and accrued interest. (See Note 7)

During the year ended December 31, 2019, the Company issued 969,553 shares of common stock in connection with business combinations. (See Note 14)

During the year ended December 31, 2019, the Company issued 152,500 shares of common stock to employees valued at \$452,766, issued 100,000 shares of common stock to employees for accrued employee awards valued at \$210,200 and 50,000 shares of common stock to consultants valued at \$96,000.

**2018**

During the year ended December 31, 2018, the Company sold 3,333,333 shares of common stock for net proceeds of \$9,959,877.

During the year ended December 31, 2018, the Company issued 3,076,461 shares of common stock upon exercise of 3,056,478 warrants resulting in proceeds to the Company of \$2,593,694.

During the year ended December 31, 2018, the Company issued 995,186 shares of common stock upon exercise of 1,068,333 options resulting in proceeds to the Company of \$321,701.

During the year ended December 31, 2018, the Company issued 2,013,294 shares of common stock upon conversion of convertible debt and accrued interest. (See Note 7)

During the year ended December 31, 2018, the Company issued 1,550,000 shares of common stock in connection with business combinations. (See Note 14)

During the year ended December 31, 2018, the Company issued 123,500 shares of common stock to employees valued at \$463,922 and issued 10,000 shares of common stock to consultants valued at \$45,001.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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12. EARNINGS PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares. Potentially dilutive securities are excluded from the calculation when their effect would be antidilutive. For the year ended December 31, 2018 all potentially dilutive securities have been excluded from the diluted share calculations as they were anti-dilutive as a result of the net loss incurred. Accordingly, basic shares equal diluted shares for the year ended December 31, 2018.

Potentially dilutive securities were comprised of the following:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Warrants	3,697,519	3,279,500
Convertible debt warrants	131,250	536,250
Options	2,516,333	1,815,500
Total	<u>6,345,102</u>	<u>5,631,250</u>

The following table sets forth the composition of the weighted average shares (denominator) used in the basic and dilutive earnings per share computation for the years ended December 31, 2019 and 2018.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Net income (loss)	\$ 1,878,804	\$ (5,073,755)
Weighted average shares outstanding, basic	32,883,594	23,492,650
Effect of dilutive common stock equivalents	6,345,102	-
Adjusted weighted average shares outstanding, dilutive	<u>39,228,696</u>	<u>23,492,650</u>
Basic net income (loss) per share	<u>\$ .06</u>	<u>\$ (.22)</u>
Dilutive net income (loss) per share	<u>\$ .05</u>	<u>\$ (.22)</u>

13. VENDOR CONCENTRATIONS

As of December 31, 2019, and 2018, two suppliers represent 51% and 56% of our purchases, respectively. Although the Company expects to maintain relationships with these vendors, the loss of either supplier would not have a material adverse impact on our business, because both suppliers provide the same products.

**GROWGENERATION CORP. AND SUBSIDIARIES**  
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**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

14. ACQUISITIONS

The Company accounts for acquisitions in accordance with ASC 805 "Business Combinations." Assets acquired and liabilities assumed are recorded in the accompanying consolidated balance sheets at their estimated fair values, as of the acquisition date. For all acquisitions, the preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. The Company has not made any adjustments to the preliminary valuations. The table below represents the allocation of the preliminary purchase price to the acquired net assets during the year ended December 31, 2019.

	<b>Grow World LLC</b>	<b>Grand Rapids Hydro</b>	<b>Green Life Garden</b>	<b>Chlorophyll</b>	<b>Reno Hydroponics</b>	<b>Palm Springs Hydroponics</b>	<b>Total</b>
Inventory	\$ 553,900	\$ 1,453,100	\$ 1,038,600	\$ 1,441,000	\$ 238,000	\$ 465,500	\$ 5,190,100
Prepays and other current assets	-		14,100	22,000	-		36,100
Furniture and equipment	35,000	50,000	100,000	100,000	25,000	25,000	335,000
Goodwill	696,900	2,376,900	2,305,900	2,596,100	516,300	554,000	9,046,100
<b>Total</b>	<b>\$ 1,285,800</b>	<b>\$ 3,880,000</b>	<b>\$ 3,458,600</b>	<b>\$ 4,159,100</b>	<b>\$ 779,300</b>	<b>\$ 1,044,500</b>	<b>\$ 14,607,300</b>

The table below represents the consideration paid for the net assets acquired in business combinations.

	<b>Grow World LLC</b>	<b>Grand Rapids Hydro</b>	<b>Green Life Garden</b>	<b>Chlorophyll</b>	<b>Reno Hydroponics</b>	<b>Palm Springs Hydroponics</b>	<b>Total</b>
Cash	\$ 1,000,000	\$ 2,350,000	\$ 2,647,700	\$ 3,659,100	\$ 525,000	\$ 800,000	\$ 10,981,800
Common stock	285,800	1,530,000	810,900	500,000	254,300	244,500	3,625,500
<b>Total</b>	<b>\$ 1,285,800</b>	<b>\$ 3,880,000</b>	<b>\$ 3,458,600</b>	<b>\$ 4,159,100</b>	<b>\$ 779,300</b>	<b>\$ 1,044,500</b>	<b>\$ 14,607,300</b>

The following table discloses the date of the acquisitions noted above and the revenue and earnings included in the consolidated income statement from the date of acquisition to the period ended December 31, 2019.

	<b>Grow World LLC</b>	<b>Grand Rapids Hydro</b>	<b>Green Life Garden</b>	<b>Chlorophyll</b>	<b>Reno Hydroponics</b>	<b>Palm Springs Hydroponics</b>	<b>Total</b>
Acquisition date	12/16/19	9/3/2019	5/14/2019	1/21/2019	2/11/2019	2/7/2019	
Revenue	\$ 153,900	\$ 2,412,700	\$ 4,829,800	\$ 6,030,500	\$ 2,106,900	\$ 3,075,300	\$ 18,609,100
Earnings	\$ 6,400	\$ 444,500	\$ 998,700	\$ 936,600	\$ 366,742	\$ 651,400	\$ 3,404,342

The following represents the unaudited pro forma consolidated income statement as if the acquisitions had been included in the consolidated results of the Company for the year ended December 31, 2018. These unaudited pro forma results are presented for information purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the earliest period presented, nor are they indicative of future results of operations.

	<b>December 31, 2018</b>
Revenue	\$ 59,650,900
Earnings	\$ (2,087,900)

**GROWGENERATION CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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15. SUBSEQUENT EVENTS

On February 26, 2020 the Company purchased the assets of Healthy Harvest LLC for \$1,750,000 and 250,000 shares of the Company's common stock valued at \$1,102,500. Healthy Harvest has been in business since 2011 and is the largest hydroponic operation in the Southeast region.

On February 7, 2020, the Board approved the amendment and restatement of the 2018 Plan to increase the number of shares issuable thereunder from 2,500,000 to 5,000,000, which amendment is pending shareholder approval.

## **ITEM 9. CHANGES AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, management concluded that our disclosure controls and procedures were effective as of December 31, 2019 to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control Over Financial Reporting**

As required by the SEC rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

In making the assessments on the effectiveness of our internal controls over financial reporting as of December 31, 2019, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal controls over financial reporting as of December 31, 2019.

This Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. As an emerging growth company, management's report is not subject to attestation by our registered public accounting firm.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the most recent fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information.**

None

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than provided below, the information required by Items 401, 405, 406 and 407 (c)(3); (d)(4) and (d)(5) of Regulation S-K is incorporated into this Annual Report on Form 10-K by reference to the Company's Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed within 120 days following December 31, 2019.

All directors of the Company hold office for one-year terms until the election and qualification of their successors. Officers are appointed by our Board and serve at the discretion of the board, subject to applicable employment agreements. The following table sets forth information regarding our executive officers and the members of our Board.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Darren Lampert	59	Chief Executive Officer and Director
Michael Salaman	57	President and Director
Tony Sullivan	55	Chief Operating Officer, Executive VP
Monty Lamirato	64	Chief Financial Officer and Secretary
Stephen Aiello	59	Director
Peter Rosenberg	57	Director
Sean Stiefel	32	Director

**Darren Lampert** has been our Chief Executive Officer and a Director since our inception in 2014. Mr. Lampert began his career in 1986 as a founding member of the law firm of Lampert and Lampert (1986-1999), where he concentrated on securities litigation, NASD (now FINRA) compliance and arbitration and corporate finance matters. Mr. Lampert has represented clients in actions and investigations brought before government agencies and self-regulatory bodies. Mr. Lampert has spent 15 years working as a portfolio manager and proprietary trader at Schonfeld Securities (1999-2005), Schottenfeld Group (2007) and Incremental Capital (2008-2010). From 2010 to 2014, Mr. Lampert was a private investor. Mr. Lampert graduated in 1982 with a Bachelor of Science degree in business administration from Ithaca College. Mr. Lampert received a JD from Bridgeport University School of Law in 1985. Mr. Lampert was admitted to practice law in New York in 1986 and is also admitted to practice before the United States District Courts for the Southern and Eastern Districts of New York.

**Michael Salaman** has been our President and a Director since our inception. Mr. Salaman served as the Chairman of Skinny Nutritional Corp. from January 2002 to March 2014 and as Chief Executive Officer and President of Skinny Nutritional Corp. from June 2010 to March 2014. He also served as Chief Executive Officer of Skinny Nutritional Corp. Skinny Nutritional Corp. filed for Chapter 11 Bankruptcy protection in 2013 and the assets were sold to a private equity firm in March 2014. Mr. Salaman has over 20 years' experience in the area of start-ups, new product development, distribution and marketing. Mr. Salaman began his business career as Vice President of Business Development for National Media Corp., an infomercial marketing company in the United States from 1985-1993. From 1995-2001, Mr. Salaman started a Digital Media company called American Interactive Media, Inc., a developer of Web TV set-top boxes and ISP services. In 2002, Mr. Salaman became the principal officer of that entity and directed its operations as a marketing and distribution company and in 2005 focused its efforts in the enhanced water business. Mr. Salaman received a Bachelor of Business Administration degree in business from Temple University in 1986.

**Tony Sullivan** joined the Company as Chief Operating Officer and Executive Vice President in November 2019. From 2017 to recently, Mr. Sullivan served as Executive Vice President and Chief Operating Officer of Forman Mills, a \$300 million Private Equity sponsored business. From 2015 to 2017, he was Senior Vice President Operations for Dollar Express, a \$500 million carve-out of 330 Family Dollar stores in 36 states, Private Equity sponsored business. From 2006 to 2015, he was employed at Anna's Linens for 9+ years where he served in several operating roles, most recently as SVP, Chief Operating Officer. Previously Mr. Sullivan served for 20+ years at Foot Locker Inc. leading 2100 + stores, 3 Divisions (Foot Locker, Kids Foot Locker and Foot Action) over \$2.5B in sales as VP Store Operations. Mr. Sullivan is known and respected for his expertise in wide-range governance, hypergrowth, and macro-level strategic management methodologies, with an emphasis on identifying and addressing business infrastructure to position organizations for expansion and profitability. He has achieved outstanding success scaling businesses for rapid profits and market dominance in start-ups, private, PE-backed, and public companies with revenues up to \$2.5 billion.

**Monty Lamirato** joined the Company as Chief Financial Officer and Secretary in May 2017. From March 2009 to just prior to joining GrowGen, Mr. Lamirato worked as an independent consultant providing chief financial officer and financial reporting consulting services to companies of various sizes in a variety of industries. In this capacity, he prepared and reviewed SEC filings and GAAP-compliant financial statements, provided technical accounting assistance, designed and developed inventory and logistics systems for inventory management, developed scalable accounting and reporting systems, internal accounting controls and annual budgets and evaluated short-term investment alternatives for idle cash. From March 2013 until November 2016, Mr. Lamirato served as Chief Financial Officer of Strategic Environmental & Energy Resources, Inc., a publicly traded holding company that provides a wide range of environmental, renewable fuels and industrial waste stream management services, where he was responsible for all SEC filings, prepared all GAAP and SEC compliant financial statements and developed financial and operating metrics and other key performance indicators for evaluation of business results by management. Mr. Lamirato has also served as Chief Financial Officer and Treasurer of ARC Group Worldwide, Inc. from June 2001 to March 2009, Vice President of Finance at GS2.net, LLC from November 2000 to May 2001, and also Vice President of Finance for PlanetOutdoors.com, Inc. from June 1999 to October 2000. He began his career as an audit staff member with Coopers & Lybrand in 1977, where he remained until he served as an Audit Manager and Audit Partner with Mitchell Finley and Company, P.C. from 1986 to 1993. Mr. Lamirato received a Bachelor of Science, cum laude, from Regis College in Denver and is a Certified Public Accountant.

**Stephen Aiello** has been a Director of the Company since May 2014. Mr. Aiello was a partner at Jones and Company from 2004-2008. From 2001-2003, he worked at 033 Asset Management. From 1986-2001, he was a partner at Montgomery Securities. Mr. Aiello received a B.A. in Psychology from Ithaca College and an MBA from Fordham University. Since 2010, Mr. Aiello has been a private investor and owner of real estate properties.

**Peter Rosenberg** has been a Director of the Company since July 2017. He has about 30 years of experience in the financial services industry, specifically in leveraged finance, capital markets, strategic advisory, private equity and asset management. Throughout his career, he has executed capital raising, mergers and acquisitions, and restructuring transactions. Mr. Rosenberg was previously with Duff & Phelps as a Managing Director in the Consumer and Retail Merger and Acquisitions Group. Prior to Duff & Phelps, Mr. Rosenberg was a Managing Director with Wells Fargo Securities, where he was responsible for sourcing and executing financing and mergers and acquisitions transactions for independent and financial sponsor-backed middle market companies. Previously, Mr. Rosenberg established and managed the San Francisco office for Barrington Associates, a boutique mergers and acquisitions advisory firm. At Barrington, he completed divestiture and recapitalization transactions in the consumer, retail, industrial and business services sectors and was responsible for coverage of middle market private equity firms. Prior to Barrington, Mr. Rosenberg was a Director at Salomon Smith Barney, focusing on corporate finance and mergers and acquisitions transactions for West Coast consumer product, specialty retail, financial services and industrial companies. Mr. Rosenberg has also held positions at Richard C. Blum & Associates (now BLUM Capital) and Comann, Howard & Flamen. He graduated magna cum laude from the University of Colorado with a B.S. degree in Business and Administration and was a member of the Beta Gamma Sigma academic honor society. Mr. Rosenberg holds Series 7, 24, and 63 securities industry registrations.

**Sean Stiefel** has been a Director of the Company since January 2018. Mr. Stiefel founded Navy Capital LLC in 2014, where he is currently a Portfolio Manager and is responsible for all aspects of stock selection, investment due diligence and portfolio construction. Mr. Stiefel launched the Navy Capital Green Fund, LP in 2017 as a global public equity focused cannabis dedicated fund. Navy Capital has been involved in cannabis related investing since early 2016. Prior to founding Navy Capital, Mr. Stiefel was a research analyst and trader for Northwoods Capital Management Partners, a global equity fund with a fundamental value and special situations investment strategy. Mr. Stiefel had previously served as an associate within an equity long/short fund at Millennium Partners, and he began his career as an equities trading analyst for Barclays Capital. He is a graduate of the University of Southern California's Marshall school of Business.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 of Regulation S-K is incorporated into this Annual Report Form 10-K by reference to the Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed within 120 days following December 31, 2019.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 201(d) and Item 403 of Regulation S-K is incorporated into this Annual Report Form 10-K by reference to the Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed within 120 days following December 31, 2019.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by Items 404 and 407(a) of Regulation S-K is incorporated into this Annual Report Form 10-K by reference to the Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed within 120 days following December 31, 2019.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by Item 9(e) of Schedule 14A is incorporated into this Annual Report Form 10-K by reference to the Definitive Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed within 120 days following December 31, 2019.



## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- 3.1 [Certificate of Incorporation of GrowGeneration Corp. \(Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 as filed on November 9, 2015\)](#)
- 3.2 [Amended and Restated Bylaws of GrowGeneration Corp. \(Incorporated by reference to Exhibit 3\(ii\) to Form 8-K filed on March 11, 2020\)](#)
- 4.1 [Form of Warrant for private placement in March 2017 \(Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on March 16, 2017\)](#)
- 4.2 [Form of Investor Warrant for second 2017 private placement \(Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on May 19, 2017\)](#)
- 4.3 [Form of Placement Agent Warrant \(\\$2.75 Per Share\) for second 2017 private placement \(Incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K as filed on May 19, 2017\)](#)
- 4.4 [Form of .1% Unsecured Convertible Promissory Note for private placement in January 2018 \(Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K as filed on January 12, 2018\)](#)
- 4.5 [Form of Warrant for private placement in January 2018 \(Incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K as filed on January 12, 2018\)](#)
- 4.6 [Form of Promissory Note issued to Santa Rosa Hydroponics & Grower Supply, Inc. \(Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K as filed on July 16, 2018\)](#)
- 10.1 [GrowGeneration Corp. 2014 Equity Incentive Plan \(Incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 as filed on November 9, 2015\)](#)
- 10.2 [Form of GrowGeneration Corp. Stock Option Agreement in connection with the 2014 Equity Incentive Plan \(Incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 as filed on November 9, 2015\)](#)
- 10.3 [GrowGeneration Corp. Amended and Restated 2018 Equity Incentive Plan \(Filed herewith\)](#)
- 10.4 [Form of GrowGeneration Corp. Stock Option Agreement in connection with the Amended and Restated 2018 Equity Incentive Plan \(Filed herewith\)](#)

10.5	<a href="#">Form of Securities Purchase Agreement for first 2017 private placement (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on March 16, 2017)</a>
10.6	<a href="#">Form of Subscription Agreement for second 2017 private placement (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on May 19, 2017)</a>
10.7	<a href="#">Form of Securities Purchase Agreement for 2018 private placement (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on January 12, 2018)</a>
10.8	<a href="#">Form of Supplement to Securities Purchase Agreement for 2018 private placement (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on January 12, 2018)</a>
10.9	<a href="#">Form of Asset Purchase Agreement, dated April 12, 2018, by and among GrowGeneration, Corp., GrowGeneration Michigan Corp. and Superior Growers Supply, Inc. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on April 16, 2018)</a>
10.10	<a href="#">Form of Securities Purchase Agreement for second 2018 private placement (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on May 9, 2018)</a>
10.11	<a href="#">Form of Side Letter by and between GrowGeneration Corp. and Gotham Green Fund 1, L.P. (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on May 9, 2018)</a>
10.12	<a href="#">Form of Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K as filed on May 9, 2018)</a>
10.13	<a href="#">Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 as filed on November 9, 2015)</a>
10.14	<a href="#">Consulting Agreement with Merida Capital Partners, LP, dated April 3, 2017 (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on April 5, 2017)</a>
10.15	<a href="#">Separation and Release Agreement with Jason Dawson, dated April 10, 2017 (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on April 14, 2017)</a>

10.16	<a href="#">Form of Revised Asset Purchase Agreement, dated June 28, 2018, by and among GrowGeneration Corp., Santa Rosa Hydroponics &amp; Grower Supply Inc., Rick Barretta and Jason Barretta (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on July 16, 2018)</a>
10.17	<a href="#">Form of Amendment to Revised Asset Purchase Agreement, dated July 13, 2018 (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on July 16, 2018)</a>
10.18	<a href="#">Form of Asset Purchase Agreement, dated August 30, 2018, by and among GrowGeneration Corp., GrowGeneration HG Corp. and Virgus, Inc. d/b/a/ Heavy Gardens (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on September 20, 2018)</a>
10.19	<a href="#">Form of Asset Purchase Agreement, dated November 28, 2018, by and among GrowGeneration Corp., GrowGeneration Pueblo Corp. and Chlorophyll, Inc. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on January 22, 2019)</a>
10.20	<a href="#">Form of Asset Purchase Agreement, dated January 26, 2019, by and among GrowGeneration Corp., GrowGeneration California Corp. and Palm Springs Hydroponics, Inc. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on February 12, 2019)</a>
10.21	<a href="#">Form of Asset Purchase Agreement, dated January 26, 2019, by and among GrowGeneration Corp., GrowGeneration Nevada Corp. and Reno Hydroponics, Inc. (Incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K as filed on February 12, 2019)</a>
10.22	<a href="#">Form of Asset Purchase Agreement, dated April 23, 2019, by and among GrowGeneration Corp., GrowGeneration Rhode Island Corp. and GreenLife Garden Supply Corp (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on May 14, 2019)</a>
10.23	<a href="#">Form of Subscription Agreement for 2019 private placement (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K as filed on June 26, 2019)</a>
10.24	<a href="#">Form of Subscription Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K as filed on June 26, 2019)</a>
10.25	<a href="#">Employment Agreement dated November 4, 2019 between GrowGeneration Corp and Tony Sullivan (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 10-Q as filed on November 12, 2019)</a>
10.26	<a href="#">Form of Employment Agreement dated November 5, 2019 between GrowGeneration Corp and Monty Lamirato (Filed herewith)</a>
10.27	<a href="#">Form of Employment Agreement dated March 23, 2020 between GrowGeneration Corp and Darren Lampert (Filed herewith)</a>
10.28	<a href="#">Form of Employment Agreement dated March 23, 2020 between GrowGeneration Corp and Michael Salaman (Filed herewith)</a>
14.1	<a href="#">Code of Ethics and Business Conduct for Officers, Directors and Employees (Filed herewith)</a>

21.1	<a href="#">List of Subsidiaries of GrowGeneration Corp. (Filed herewith)</a>
23.1	<a href="#">Consent of Connolly Grady &amp; Cha, P.C. (Filed herewith)</a>
99.1	<a href="#">Charter of Audit Committee (Filed herewith)</a>
99.2	<a href="#">Charter of Compensation Committee (Filed herewith)</a>
99.3	<a href="#">Charter of Nominating and Corporate Governance Committee (Filed herewith)</a>
101.INS	<a href="#">XBRL Instance Document (Filed herewith.)</a>
101.SCH	<a href="#">XBRL Taxonomy Extension Schema Document (Filed herewith.)</a>
101.CAL	<a href="#">XBRL Taxonomy Extension Calculation Linkbase Document (Filed herewith.)</a>
101.LAB	<a href="#">XBRL Taxonomy Extension Label Linkbase Document (Filed herewith.)</a>
101.PRE	<a href="#">XBRL Taxonomy Extension Presentation Linkbase Document (Filed herewith.)</a>
101.DEF	<a href="#">XBRL Taxonomy Extension Definition Linkbase Definition (Filed herewith.)</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer (Filed herewith.)</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial and Accounting Officer (Filed herewith.)</a>
32.1	<a href="#">Section 1350 Certification of Principal Executive Officer (Filed herewith.)</a>
32.2	<a href="#">Section 1350 Certification of Principal Financial and Accounting Officer (Filed herewith.)</a>

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized on March 27, 2020.

### GROWGENERATION CORP.

By: /s/ Darren Lampert  
Name: Darren Lampert  
Title: Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Monty Lamirato  
Name: Monty Lamirato  
Title: Chief Financial Officer  
(Principal Financial Officer)

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors GrowGeneration Corp., a Colorado corporation (the "Registrant"), do hereby constitute and appoint Darren Lampert and Monty Lamirato, and each of them, as his or her true and lawful attorney-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Person</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Darren Lampert</u> Darren Lampert	Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2020
<u>/s/ Monty Lamirato</u> Monty Lamirato	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2020
<u>/s/ Michael Salaman</u> Michael Salaman	President and Director	March 27, 2020
<u>/s/ Stephen Aiello</u> Stephen Aiello	Director	March 27, 2020
<u>/s/ Peter Rosenberg</u> Peter Rosenberg	Director	March 27, 2020
<u>/s/ Sean Stiefel</u> Sean Stiefel	Director	March 27, 2020

## GROWGENERATION CORP.

## AMENDED AND RESTATED 2018 EQUITY INCENTIVE PLAN

**1. Purposes of the Plan.** The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide incentives to individuals who perform services for the Company, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.

**2. Definitions.** As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 hereof.

(b) "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(d) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and other stock or cash awards as the Administrator may determine.

(e) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "Board" means the Board of Directors of the Company.

(g) "Change in Control" means the occurrence of any of the following events:

- (i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of stock in the Company that, together with the stock already held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any Person who is considered to own more than 50% of the total voting power of the stock of the Company before the acquisition will not be considered a Change in Control; or
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- (ii) A change in the effective control of the Company, which occurs on the date that a majority of the members of the Board are replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to effectively control the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or
- (iii) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets or a Change in Control: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total equity or voting power of which is owned, directly or indirectly, by a Person described in subsection (iii)(B)(3) above. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Notwithstanding the foregoing, as to any Award under the Plan that consists of deferred compensation subject to Section 409A of the Code, the definition of "Change in Control" shall be deemed modified to the extent necessary to comply with Section 409A of the Code.

For purposes of this Section 2(g), persons will be considered to be acting as a group if they are owners of a corporation or other entity that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock, \$.001 par value per share, of the Company.

(k) "Company" means GrowGeneration, Corp., a Colorado corporation, or any successor thereto.

(l) "Consultant" means any person, including an advisor, engaged by the Company or a Parent, Subsidiary or Affiliate to render services to the Company or a Subsidiary.

(m) "Determination Date" means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as "performance-based compensation" under Section 162(m) of the Code.

(n) "Director" means a member of the Board.

(o) "Disability" means permanent and total disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(p) “Employee” means any person, including Officers and Directors, employed by the Company or any Parent, Subsidiary or Affiliate of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.

(q) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(r) “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(s) “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price was reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, or if such Common Stock is not regularly quoted or does not have sufficient trades or bid prices which would accurately reflect the actual Fair Market Value of the Common Stock, the Fair Market Value will be determined in good faith by the Administrator upon the advice of a qualified valuation expert.

(t) “Fiscal Year” means the fiscal year of the Company.

(u) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(v) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) “Option” means a stock option granted pursuant to Section 6 hereof.

(y) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) “Participant” means the holder of an outstanding Award.



(aa) "Performance Goals" will have the meaning set forth in Section 11 hereof.

(bb) "Performance Period" means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(cc) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine pursuant to Section 10 hereof.

(dd) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of Performance Goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10 hereof.

(ee) "Period of Restriction" means the period during which transfers of Shares of Restricted Stock are subject to restrictions and, therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(ff) "Plan" means this Amended and Restated 2018 Equity Incentive Plan.

(gg) "Restricted Stock" means Shares issued pursuant to an Award of Restricted Stock under Section 8 hereof, or issued pursuant to the early exercise of an Option.

(hh) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9 hereof. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(ii) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(jj) "Section 16(b)" means Section 16(b) of the Exchange Act.

(kk) "Service Provider" means an Employee, Director, or Consultant.

(ll) "Share" means a share of the Common Stock, as adjusted in accordance with Section 15 hereof.

(mm) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(nn) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

### **3. Stock Subject to the Plan.**

(a) Subject to the provisions of Section 15 hereof, the maximum aggregate number of Shares and options that may be awarded and sold under the Plan is 5,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units, is forfeited to or repurchased by the Company, the unpurchased Shares (or for Awards other than Options and Stock Appreciation Rights, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Upon exercise of a Stock Appreciation Right settled in Shares, the gross number of Shares covered by the portion of the Award so exercised will cease to be available under the Plan. Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if unvested Shares of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares used to pay the tax and/or exercise price of an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing provisions of this Section 3(b), subject to adjustment provided in Section 14 hereof, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a) above, plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

(d) Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year (measured from the date of any grant) shall be 1,000,000 and the maximum aggregate amount of cash that may be paid in cash during any calendar year (measured from the date of any payment) with respect to one or more Awards payable in cash shall be \$600,000.

#### 4. Administration of the Plan

(a) Procedure.

- (i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.
- (ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two (2) or more “outside directors” within the meaning of Section 162(m) of the Code.
- (iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.
- (iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (i) to determine the Fair Market Value;
- (ii) to select the Service Providers to whom Awards may be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreements for use under the Plan;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder;
- (vi) to institute an Exchange Program and to determine the terms and conditions, not inconsistent with the terms of the Plan, for (1) the surrender or cancellation of outstanding Awards in exchange for Awards of the same type, Awards of a different type, and/or cash, (2) the transfer of outstanding Awards to a financial institution or other person or entity, or (3) the reduction of the exercise price of outstanding Awards;

- (vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
- (viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;
- (ix) to modify or amend each Award (subject to Section 20(c) hereof), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards;
- (x) to allow Participants to satisfy withholding tax obligations in a manner described in Section 16 hereof;
- (xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
- (xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award pursuant to such procedures as the Administrator may determine; and
- (xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations, and interpretations will be final and binding on all Participants and any other holders of Awards.

**5. Eligibility.** Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units, Performance Shares, and such other cash or stock awards as the Administrator determines may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

## **6. Stock Options.**

### (a) Limitations.

- (i) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000 (U.S.), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.
- (ii) The Administrator will have complete discretion to determine the number of Shares subject to an Option granted to any Participant.

(b) Term of Option. The Administrator will determine the term of each Option in its sole discretion; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Option Exercise Price and Consideration.

- (i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, but will be no less than 100% of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(c), Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.
- (ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.
- (iii) Form of Consideration. The Administrator will determine the acceptable form(s) of consideration for exercising an Option, including the method of payment, to the extent permitted by Applicable Laws. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided further that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) through cashless exercise by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate exercise price at the time of exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator will consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(d) Exercise of Option.

- (i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator specifies from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with any applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15 hereof.

- (ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.
- (iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for six (6) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.
- (iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for six (6) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will continue to vest in accordance with the Award Agreement. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

## **7. Stock Appreciation Rights.**

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Participant.

(c) Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan; provided, however, that the exercise price will be not less than 100% of the Fair Market Value of a Share on the date of grant.

(d) Stock Appreciation Rights Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. Notwithstanding the foregoing, the rules of Section 6(d) above also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
- (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

## **8. Restricted Stock.**

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

(i) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock as “performance-based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals will be set by the Administrator on or before the Determination Date. In granting Restricted Stock which is intended to qualify under Section 162(m) of the Code, the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

#### **9. Restricted Stock Units.**

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such other terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 9(d) hereof, may be left to the discretion of the Administrator.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. After the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock Units. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will specify the vesting criteria, and such other terms and conditions as the Administrator, in its sole discretion will determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as specified in the Award Agreement.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

(f) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock Units as “performance-based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals will be set by the Administrator on or before the Determination Date. In granting Restricted Stock Units which are intended to qualify under Section 162(m) of the Code, the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

#### **10. Performance Units and Performance Shares.**

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units/Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

(g) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Performance Units/Shares as “performance-based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals will be set by the Administrator on or before the Determination Date. In granting Performance Units/Shares which are intended to qualify under Section 162(m) of the Code, the Administrator will follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Award under Section 162(m) of the Code (e.g., in determining the Performance Goals).

#### **11. Performance-Based Compensation Under Code Section 162(m)**

(a) General. If the Administrator, in its discretion, decides to grant an Award intended to qualify as “performance-based compensation” under Code Section 162(m), the provisions of this Section 11 will control over any contrary provision in the Plan; provided, however, that the Administrator may in its discretion grant Awards that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code to such Participants that are based on Performance Goals or other specific criteria or goals but that do not satisfy the requirements of this Section 11.

(b) Performance Goals. The granting and/or vesting of Awards of Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units and other incentives under the Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Code Section 162(m) and may provide for a targeted level or levels of achievement (“Performance Goals”) including (i) earnings per Share, (ii) operating cash flow, (iii) operating income, (iv) profit after-tax, (v) profit before-tax, (vi) return on assets, (vii) return on equity, (viii) return on sales, (ix) revenue, and (x) total shareholder return. Any Performance Goals may be used to measure the performance of the Company as a whole or a business unit of the Company and may be measured relative to a peer group or index. The Performance Goals may differ from Participant to Participant and from Award to Award. Prior to the Determination Date, the Administrator will determine whether any significant element(s) will be included in or excluded from the calculation of any Performance Goal with respect to any Participant.



(c) Procedures. To the extent necessary to comply with the performance-based compensation provisions of Code Section 162(m), with respect to any Award granted subject to Performance Goals, within the first twenty-five percent (25%) of the Performance Period, but in no event more than ninety (90) days following the commencement of any Performance Period (or such other time as may be required or permitted by Code Section 162(m)), the Administrator will, in writing, (i) designate one or more Participants to whom an Award will be made, (ii) select the Performance Goals applicable to the Performance Period, (iii) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (iv) specify the relationship between Performance Goals and the amounts of such Awards, as applicable, to be earned by each Participant for such Performance Period. Following the completion of each Performance Period, the Administrator will certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amounts earned by a Participant, the Administrator will have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period. A Participant will be eligible to receive payment pursuant to an Award for a Performance Period only if the Performance Goals for such period are achieved.

(d) Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Participant and is intended to constitute qualified performance based compensation under Code Section 162(m) will be subject to any additional limitations set forth in the Code (including any amendment to Section 162(m)) or any regulations and ruling issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m) of the Code, and the Plan will be deemed amended to the extent necessary to conform to such requirements.

**12. Compliance with Code Section 409A.** Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

**13. Leaves of Absence.** Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company, or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months and one day following the commencement of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

**14. Transferability of Awards.** Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award may only be transferred (i) by will, (ii) by the laws of descent and distribution, (iii) to a revocable trust, or (iii) as permitted by Rule 701 of the Securities Act of 1933, as amended.

## 15. Adjustments; Dissolution or Liquidation; Merger or Change in Control

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, and the numerical Share limits set forth in Sections 3, 6, 7, 8, 9 and 10 hereof.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the preceding paragraph) without a Participant's consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (the "Successor Corporation") (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this subsection (c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, similarly.

In the event that the Successor Corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock will lapse, and, with respect to Restricted Stock Units, Performance Shares and Performance Units, all Performance Goals or other vesting criteria will be deemed achieved at target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted for in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Stock Appreciation Right upon the exercise of which the Administrator determines to pay cash or a Performance Share or Performance Unit which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Corporation, the Administrator may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Performance Share or Performance Unit, for each Share subject to such Award (or in the case of Performance Units, the number of implied shares determined by dividing the value of the Performance Units by the per share consideration received by holders of Common Stock in the Change in Control), to be solely common stock of the Successor Corporation equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 15(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more Performance Goals will not be considered assumed if the Company or its successor modifies any of such Performance Goals without the Participant's consent; provided, however, a modification to such Performance Goals only to reflect the Successor Corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption. In the case of an Award providing for the payment of deferred compensation subject to Section 409A of the Code, any payment of such deferred compensation by reason of a Change in Control shall be made only if the Change in Control is one described in subsection (a)(2)(A)(v) of Section 409A and the guidance thereunder and shall be paid consistent with the requirements of Section 409A. If any deferred compensation that would otherwise be payable by reason of a Change in Control cannot be paid by reason of the immediately preceding sentence, it shall be paid as soon as practicable thereafter consistent with the requirements of Section 409A, as determined by the Administrator.

#### **16. Tax Withholding.**

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

**17. No Effect on Employment or Service** Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

**18. Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

**19. Term of Plan.** Subject to Section 23 hereof, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years unless terminated earlier under Section 20 hereof.

#### **20. Amendment and Termination of the Plan**

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

#### **21. Conditions Upon Issuance of Shares.**

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Restrictive Legends. All Award Agreements and all securities of the Company issued pursuant thereto shall bear such legends regarding restrictions on transfer and such other legends as the appropriate officer of the Corporation shall determine to be necessary or advisable to comply with applicable securities and other laws.

**22. Inability to Obtain Authority**. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

**23. Stockholder Approval**. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws. In the event that stockholder approval is not obtained within twelve (12) months after the date the Plan is adopted by the Board, the Plan and all Awards granted hereunder shall be void ab initio and of no effect. Notwithstanding any other provisions of the Plan, no Awards shall be exercisable until the date of such stockholder approval.

**23. Notification of Election Under Section 83(b) of the Code**. If any Service Provider shall, in connection with the acquisition of Shares under the Plan, make the election permitted under Section 83(b) of the Code, such Service Provider shall notify the Company of such election within ten (10) days of filing notice of the election with the Internal Revenue Service and provide the Company with a copy thereof, in addition to any filing and a notification required pursuant to regulations issued under the authority of Section 83(b) of the Code. A Service Provider shall not be permitted to make a Section 83(b) election with respect to an Award of a Restricted Stock Unit.

**24. Notification Upon Disqualifying Disposition Under Section 421(b) of the Code**. Each Service Provider shall notify the Company of any disposition of Shares issued pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within ten (10) days of such disposition.

**25. Choice of Law**. The Plan and all rules and determinations made and taken pursuant hereto will be governed by the laws of the State of Colorado, to the extent not preempted by federal law, and construed accordingly.

\*\* Adopted by the Board as of February 7, 2020. \*\*

**GROWGENERATION, CORP.**  
**AMENDED AND RESTATED 2018 EQUITY INCENTIVE PLAN**  
**STOCK OPTION AWARD AGREEMENT**

Unless otherwise defined herein, the terms defined in the GrowGeneration, Corp. Amended and Restated 2018 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Stock Option Award Agreement (the "Award Agreement").

**I. NOTICE OF STOCK OPTION GRANT**

**Participant Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

You have been granted an Option to purchase Common Stock of GrowGeneration, Corp. (the "Company"), subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number \_\_\_\_\_

Date of Grant \_\_\_\_\_

Vesting Commencement Date \_\_\_\_\_

Exercise Price per Share \_\_\_\_\_

Total Number of Shares Granted \_\_\_\_\_

Total Exercise Price \_\_\_\_\_

Type of Option: [ ] \_\_\_\_\_ Incentive Stock Option

[ ] \_\_\_\_\_ Nonstatutory Stock Option

Term/Expiration Date: \_\_\_\_\_

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth herein, this Option shall vest and may be exercised, as follows:

a. \_\_\_\_\_ options shall become exercisable commencing \_\_\_\_\_

b. \_\_\_\_\_ options shall become exercisable commencing \_\_\_\_\_

c. \_\_\_\_\_ options shall become exercisable commencing \_\_\_\_\_



Termination Period:

This Option will be exercisable for three months after Participant ceases to be a Service Provider, unless such termination is due to Participant's death or Disability, in which case this Option will be exercisable for six months after Participant ceases to be Service Provider. Notwithstanding the foregoing, in no event may this Option be exercised after the Term/Expiration Date as provided above and may be subject to earlier termination as provided in Section 15 of the Plan.

By Participant's signature and the signature of the Company's representative below, Participant and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Stock Option Grant, attached hereto as Exhibit A, all of which are made a part of this document. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

**PARTICIPANT:**

**GROWGENERATION, CORP.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

Residence Address:

\_\_\_\_\_

\_\_\_\_\_

## EXHIBIT A

### TERMS AND CONDITIONS OF STOCK OPTION GRANT

1. Grant of Option. The Company hereby grants to the Participant named in the Notice of Stock Option Grant ("Notice of Grant") attached as Part I of this Award Agreement (the "Participant") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price"), subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 20 of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). However, if this Option is intended to be an ISO, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it will be treated as a Nonstatutory Stock Option ("NSO"). Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event will the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Vesting Schedule. Except as provided in Section 3, the Option awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

3. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

#### 4. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Award Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit B (the "Exercise Notice") or in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any applicable tax withholding. This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant.

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan;

(d) cashless exercise by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate exercise price at the time of exercise; or

(e) surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. Tax Obligations.

(a) Withholding Taxes. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment and other taxes which the Company determines must be withheld with respect to such Shares. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any tax withholding obligations by reducing the number of Shares otherwise deliverable to Participant. If Participant fails to make satisfactory arrangements for the payment of any required tax withholding obligations hereunder at the time of the Option exercise, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.



(c) Code Section 409A. Under Code Section 409A, an option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per share exercise price that is determined by the Internal Revenue Service (the “IRS”) to be less than the Fair Market Value of a Share on the date of grant (a “Discount Option”) may be considered “deferred compensation.” A Discount Option may result in (i) income recognition by Participant prior to the exercise of the option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The Discount Option may also result in additional state income, penalty and interest charges to the Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the Fair Market Value of a Share on the Date of Grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the date of grant, Participant will be solely responsible for Participant’s costs related to such a determination.

7. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THE OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company, in care of its Chief Financial Officer at GrowGeneration, Corp, or at such other address as the Company may hereafter designate in writing.

10. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

12. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

13. Plan Governs. This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

14. Administrator Authority. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

15. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Options awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

17. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

18. Modifications to the Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Code Section 409A in connection to this Option.

19. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

20. Governing Law. This Award Agreement will be governed by the laws of the State of Colorado, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Colorado, and agree that such litigation will be conducted in the courts of Colorado, or the federal courts for the United States for Colorado, and no other courts, where this Option is made and/or to be performed.

*[Remainder of Page Intentionally Left Blank]*

**EXHIBIT B**

**GROWGENERATION, CORP.**

**AMENDED AND RESTATED 2018 EQUITY INCENTIVE PLAN**

**EXERCISE NOTICE**

Attention: GrowGeneration, Corp.

1. Exercise of Option. Effective as of today, \_\_\_\_\_, 20\_\_\_\_, the undersigned (“Purchaser”) hereby elects to purchase \_\_\_\_\_ shares (the “Shares”) of the Common Stock of GrowGeneration, Corp. (the “Company”) under and pursuant to the Amended and Restated 2018 Equity Incentive Plan (the “Plan”) and the Stock Option Award Agreement dated \_\_\_\_\_ (the “Award Agreement”). As required by the Award Agreement, the purchase price for the Shares will be (check the applicable box):

- Cash payment of \$\_\_\_\_\_.
- Cashless exercise, pursuant to Section 5 of Exhibit A to the Award Agreement, based on the closing sale price of one share of the Common Stock as of the Business Day prior to the date of the date of this Exercise Notice: \$\_\_\_\_\_ per share.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares and any required tax withholding to be paid in connection with the exercise of the Option.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Award Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Purchaser as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 15 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

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6. Entire Agreement; Governing Law. The Plan and Award Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Award Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of the State of Colorado.

Submitted by:

**PURCHASER:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Residence Address:

\_\_\_\_\_  
\_\_\_\_\_

\*\*\*\*\* FOLLOWING PORTION TO BE COMPLETED BY THE COMPANY \*\*\*\*\*

\_\_\_\_\_  
Date Received

Accepted by:

**GROWGENERATION, CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

## FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

**THIS EXECUTIVE EMPLOYMENT AGREEMENT** (the “**Agreement**”) dated as of January 1, 2020 (the “**Effective Date**”), is by and between GrowGeneration Corp., a Colorado Corporation with offices at 1000 W Mississippi Ave., Denver, CO 80223 (the “**Company**”) and Monty Lamirato, an individual residing at 7017 Orion Lane, Arvada, CO 80007 (the “**Executive**”).

## RECITALS

**WHEREAS**, the Company desires to employ the Executive and the Executive desires to gain employment with the Company, all upon the terms and provisions, and subject to the conditions, as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual premises, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt, and legal adequacy of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

**I. POSITION AND DUTIES.**

(a) **Reporting.** During the term of this Agreement (the “**Employment Term**”), the Company shall employ the Executive, and the Executive shall serve, as the Chief Financial Officer of the Company. The Executive shall report directly to the CEO and President of the Company.

(b) **Responsibilities.** The Executive shall have responsibility to oversee all aspects of the Company’s business activities as are customarily performed and enjoyed by persons employed in comparable positions, subject, however, in all instances to the direction and control of the Board. A copy of the Executives duties are attached hereto as Exhibit 1.

(c) **Devotion of Executive’s Time.** Subject to Section 2(d) hereof, the Executive shall devote all of his business time, labor, skill and energy to conducting the business and affairs of the Company and to performing his duties and responsibilities to the Company as set forth in Section 2(b) hereof. The Executive shall not become employed with, consult with or otherwise perform services for any other entity or individual during the Term of this Agreement. The Executive shall perform the Executive’s duties and responsibilities to the Company diligently, competently, faithfully and to the best of his ability. Executive shall perform his duties from his home office and shall travel as needed.

(d) **Representations.** The Executive represents and warrants to the Company that the Executive has the right to negotiate and enter into this Agreement, and the Executive’s execution, delivery and performance of this Agreement does not breach, interfere with or conflict with any other contractual agreement, covenant not to compete, option, right of first refusal or other existing business relationship or any judgment or order, in each case, to which the Executive is a party or otherwise subject.

**2. EMPLOYMENT TERM.**

(a) **Initial Term.** The initial term of employment shall be for a period of three years (the “**Employment Term**”), commencing with the date hereof, unless sooner terminated as provided in this Agreement. This Agreement shall be renewed annually for a term of one year unless the Company or the Executive gives notice to the other of termination at least six (6) months prior to the expiration of the initial term, or any successive term, as the case may be.

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(b) Termination for Cause. Notwithstanding the provisions of Section 2(a) above, the Company shall have the right to terminate the Executive's employment for Cause (as defined in Section 2(c) below); provided, however, that the Executive shall not be deemed to have been terminated for Cause unless and until the Board of Directors at a meeting duly called and held for that purpose shall have determined that the Executive committed an act falling within the definition of Cause and specifying the basis for such determination. If the Executive's employment shall be terminated by the Company for Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination. If the Executive's employment shall be terminated by the Company without Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination.

(c) Cause. For purposes of this Agreement the term, "**Cause**" shall mean the Executive's: (a) engagement in gross misconduct materially injurious to the Company; (b) knowing and willful neglect or refusal to attend to the material duties assigned to him by the Board of Directors of the Company, which is not cured within 30 days after written notice; (c) conviction of an act of fraud or embezzlement; or (e) conviction of a felony.

(d) Notice of Termination. Any purported termination of the Executive's employment by the Company hereunder shall be communicated by a Notice of Termination to the Executive in accordance with Section 13. For purposes of this Agreement, a "**Notice of Termination**" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(e) Date of Termination. For purposes of this Agreement, the date of termination shall be: (a) if this Agreement is terminated by the Company for Incapacity (as defined in Section 4(a) below), the date on which a Notice of Termination is given, (b) if the Executive's employment is terminated by the Company for any other reason (other than death), the date on which a Notice of Termination is given or (c) if the Company or Executive terminates his employment for any reason, the date on, which he gives the Company notice of such termination.

### **3. COMPENSATION**

The Company shall pay to the Executive for the services to be rendered by the Executive hereunder, a salary for the initial Employment Term under this Agreement at the rate of \$205,000 per annum. The salary shall be payable in accordance with the Company's regular policies, subject to applicable withholding and other taxes. Such salary will be increased during the term of this Agreement by as follows: January 1, 2021 to \$225,000 annually and January 1, 2022 to \$250,000 annually.

(a) **Bonus**. The Executive shall receive a bonus, either in the form of cash, commons stock or common stock options, with respect to each fiscal year of the Company during which he is employed hereunder, commencing with the year ending December 31, 2020 in an amount to be to be determined at the discretion of the Board of Directors of the Company.

(b) Grant of Common Stock and Common Stock Options. The Company will issue 30,000 shares of restricted common stock to the Executive as of January 1 of each year during the term of the New Employment Agreement, with the first issuance on January 1, 2020, the second on January 1, 2021 and the third on January 1, 2022. In addition, the Company will issue options to acquire 50,000 shares of restricted common stock of the Corporation with a three-year vesting period, with 50,000 options vest as of January 1, 2020, 50,000 options vest as of January 1, 2021 and 50,000 options vest as of January 1, 2022, subject to the terms and conditions of a separate option agreement and the Corporation's 2018 Equity Incentive Plan. The exercise price of the options shall be the equivalent of the market price of the Company's common stock as of the close of business of the date this agreement is hereby approved.

(c) Expenses. The Company agrees promptly to reimburse the Executive for all reasonable and necessary business expenses, including without limitation, travel, and telephone during his duties hereunder, upon the presentation by the Executive of appropriate evidence thereof.

#### **4. DEATH; INCAPACITY.**

(a) Incapacity. If, during the Employment Term hereunder, because of illness or other incapacity, the Executive shall fail for a period of six (6) consecutive months ("**Incapacity**"), to render the services contemplated hereunder, then the Company, at its option, may terminate the employment hereunder by notice to the Executive, effective on the giving of such notice; provided however, that the Company shall (i) pay to the Executive any unpaid salary through the effective date of termination specified in such notice; (ii) pay to the Executive his accrued but unpaid incentive compensation, if any, for any bonus period ending on or before the date of termination of the Executive's employment with the Company; (iii) continue to pay the Executive for a period of six (6) months following the effective date of termination, an amount equal to the excess, if any, of (A) the salary he was receiving at the time of his Incapacity, over (B) any benefit the Executive is entitled to receive during such period under any disability insurance policies provided to the Executive by the Company or maintained by the Executive, such amount to be paid in the manner and at such time as the salary otherwise would have been payable to the Executive; and (iv) pay to the Executive (within 45 days after the end of the fiscal quarter in which such termination occurs) a pro-rata portion (based upon the period ending on the date of termination of the Executive's employment hereunder) of the incentive compensation, if any, for the bonus period in which such termination occurs. The Company shall have no further liability hereunder (other than for reimbursement for reasonable business expenses incurred prior to the date of the Executive's Incapacity and other reimbursable expenses due under Section 3(t) through the date of Executive's Incapacity, and repayment of compensation for unused vacation days that have accumulated during the calendar years in which such termination occurs)

**5. TERMINATION BY THE COMPANY OR THE EXECUTIVE WITH NO REASON.** Either the Company or the Executive shall have the right to terminate the Executive's employment hereunder for "No Reason" by providing the Company's Board of Directors with ninety (90) days-notice. Notwithstanding the foregoing, if the Executive terminates this Agreement, the Company shall have the right to terminate this Agreement at any time during the ninety (90) day notice period.

#### **6. EMPLOYEE BENEFITS.**

(a) Eligibility. During the period of the Executive's employment with the Company hereunder, the Executive shall be entitled to receive such other perquisites and fringe benefits generally if and when made available by the Company to its senior executives and key management employees as a group in accordance with the plans and policies of the Company. The Company will pay 10% of the expense of the Executive's health insurance.



(b) Vacation Time. The Executive shall be entitled to paid vacation time and holidays per annum as is consistent with his position with the Company and the performance of his duties hereunder; provided that the Executive shall not be able to take vacation time at any time that would materially interfere with the business or operations of the Company. The Executive shall be entitled to three (3) weeks of paid vacation for each twelve (12) months of employment. The timing is subject to the approval of the CEO.

(c) The Executive is entitled to all paid time all observed holidays.

**7. DEDUCTIONS AND WITHHOLDINGS.** The amounts payable or which become payable to the Executive under any provision of this Agreement shall be subject to such deductions and withholdings as is required by applicable.

**8. INDEMNIFICATION.** The Company shall indemnify the Executive in his capacity as an officer of the Company to the fullest extent permitted by applicable law against all debts, judgments, costs, charges or expenses whatsoever incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of his being or having been an officer of the Company, or because of actions taken by the Executive which were believed by the Executive to be in the best interests of the Company, and the Executive shall be entitled to be covered by any directors' and officers' liability insurance policies which the Company may maintain for the benefit of its directors and officers, subject to the limitations of any such policies. The Company shall have the right to assume, with legal counsel of its choice, the defense of the Executive in any such action, suit or proceeding for which the Company is providing indemnification to the Executive. Should the Executive determine to employ separate legal counsel in any such action, suit or proceeding, any costs and expenses of such separate legal counsel shall be the sole responsibility of the Executive. If the Company does not assume the defense of any such action, suit or other proceeding, the Company shall, upon request of the Executive, promptly advance or pay any amount for costs or expenses (including, without limitation, the reasonable legal fees and expenses of counsel retained by the Executive) incurred by the Executive in connection with any such action, suit or proceeding. The Company shall not indemnify the Executive against any actions that would be deemed illegal or contrary to the general indemnification provisions of the Delaware General Corporation Law.

**9. RESTRICTIONS, RESPECTING CONFIDENTIAL INFORMATION, COMPETING BUSINESSES, ETC.**

(a) Acknowledgments of Executive. The Executive acknowledges and agrees that by virtue of the Executive's position and involvement with the business and affairs of the Company, the Executive will develop substantial expertise and knowledge with respect to all aspects of the business, affairs and operations of the Company and will have access to all significant aspects of the business and operations of the Company and to Confidential and Proprietary Information (as such term is hereinafter defined). The Executive acknowledges and agrees that the Company will be damaged if the Executive were to breach any of the provisions of this Section 10 or if the Executive were to disclose or make unauthorized use of any Confidential and Proprietary Information. Accordingly, the Executive expressly acknowledges and agrees that the Executive is voluntarily entering into this Agreement and that the terms, provisions and conditions of this Section 10 are fair and reasonable and necessary to adequately protect the Company.

(a) **Definition of Confidential Information.** For purposes of this Agreement, the term “**Confidential and Proprietary Information**” shall mean any and all (i) confidential or proprietary information or material not in the public domain about or relating to the business, operations, assets or financial condition of the Company or any of its subsidiaries or affiliates, or any of its trade secrets, including, without limitation, research and development plans or projects; data and reports; computer materials such as programs, instructions and printouts; formulas; product testing information; business improvements, processes, marketing and selling strategies; strategic business plans (whether pursued or not); budgets; unpublished financial statements; licenses; pricing, pricing strategy and cost data; information regarding the skills and compensation of executives; the identities of clients and potential clients; and (ii) any other information, documentation or material not in the public domain by virtue of any action by or on the part of the Executive, the knowledge of which gives or may give the Company or any of its subsidiaries or affiliates a material competitive advantage over any entity not possessing such information. For purposes hereof, the term Confidential and Proprietary Information shall not include any information or material (i) that is known to the general public other than due to a breach of this Agreement by the Executive; or (ii) was disclosed to the Executive by a person or entity who the Executive did not reasonably believe was bound to a confidentiality or similar agreement with the Company.

(b) **Disclosure of Confidential Information.** The Executive hereby covenants and agrees that, while the Executive is employed by the Company and for a period of one (1) year thereafter, unless otherwise authorized by the Company in writing, the Executive shall not, directly or indirectly, under any circumstance: (i) disclose to any other person or entity (other than in the regular course of business of the Company) any Confidential and Proprietary Information, other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company; (ii) act or fail to act so as to impair the confidential or proprietary nature of any Confidential and Proprietary Information; (iii) use any Confidential and Proprietary Information other than for the sole and exclusive benefit of the Company; or (iv) offer or agree to, or cause or assist in the inception or continuation of any such disclosure, impairment or use of any Confidential and Proprietary Information. Following the Employment Term, the Executive shall return all documents, records and other items containing any Confidential and Proprietary Information to the Company (regardless of the medium in which maintained or stored), without retaining any copies, notes or excerpts thereof, or at the request of the Company, shall destroy such documents, records and items (any such destruction to be certified by the Executive to the Company in writing). Following the Employment Term, the Executive shall return to the Company any property or assets of the Company in the Executive’s possession.

(c) **Non-Compete.** The Executive covenants and agrees that, while the Executive is employed by the Company, in the state of CO. and a period of two (2) years thereafter, the Executive shall not, directly or indirectly, manage, operate or control, or participate in the ownership, management, operation or control of, or otherwise become interested in (whether as an owner, stockholder, member, partner, lender, consultant, executive, officer, director, agent, supplier, distributor or otherwise) any business which is competitive with the business of the Company or any of its subsidiaries or affiliates, or, directly or indirectly, induce or influence any person that has a business relationship with the Company or any of its subsidiaries or affiliates to discontinue or reduce the extent of such relationship. For purposes of this Agreement, the Executive shall be deemed to be directly or indirectly interested in a business if he is engaged or interested in that business as a stockholder, director, officer, executive, agent, member, partner, individual proprietor, consultant, advisor or otherwise, but not if the Executive’s interest is limited solely to the ownership of not more than five percent (5%) of the securities of any class of equity securities of a corporation or other person whose shares are listed or admitted to trade on a national securities exchange or are quoted on an electronic quotation medium.

(d) **No Solicitation.** While the Executive is employed by the Company and for one (1) year after the Executive ceases to be an employed by the Company, the Executive shall not, directly or indirectly, solicit to employ, or employ for himself or others, any employee of the Company, or any subsidiary or affiliate of the Company, who was not known to the Executive prior to the date of this Agreement.

(e) **Specific Performance.** Because the breach of any of the provisions of this Section 10 may result in immediate and irreparable injury to the Company for which the Company may not have an adequate remedy at law, the Company shall be entitled, in addition to all other rights and remedies available to it at law, in equity or otherwise, to a decree of specific performance of the restrictive covenants contained in this Section 10 and to a temporary and permanent injunction enjoining such breach (without being required to post a bond or furnish other security to show any damages).

(f) **Challenge of Agreement by Executive.** In the event the Executive challenges this Agreement and an injunction is issued staying the implementation of any of the restrictions imposed by Section 10 hereof: the time remaining on the restrictions shall be tolled until the challenge is resolved by final adjudication, settlement or otherwise, except that the time remaining on the restrictions shall not be tolled during any period in which the Executive is unemployed.

(g) **Interpretation of Restrictions.** Executive acknowledges that the type and periods of restriction imposed by this Section 10 are fair and reasonable and are reasonably required for the protection of the legitimate interests of the Company and the goodwill associated with the business of the Company; and that the time, scope, geographic area and other provisions of this Agreement have been specifically negotiated by sophisticated commercial parties and are given as an integral part of the transactions contemplated hereby. If any of the covenants in this Section 10, or any part hereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants herein, which shall be given full effect, without regard to the invalid portions. In the event that any covenant contained in this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

**9. NOTICES.** All notices, demands, consents, requests, instructions and other communications to be given or delivered or permitted under or by reason of the provisions of this Agreement or in connection with the transactions contemplated hereby shall be in writing and shall be deemed to be delivered and received by the intended recipient as follows: (i) if personally delivered, on the **"Business Day"** (defined as a day on which the New York Stock Exchange is open) of such delivery (as evidenced by the receipt of the personal delivery service); (ii) if mailed certified or registered mail return receipt requested, four (4) Business Days after being mailed; (iii) if delivered by overnight courier (with all charges having been prepaid), on the Business Day of such delivery (as evidenced by the receipt of the overnight courier service of recognized standing); or (iv) if delivered by facsimile or e-mail transmission, on the Business Day of such delivery if sent by 6:00 p.m. in the time zone of the recipient, or if sent after that time, on the next succeeding Business Day (as evidenced by the printed confirmation of delivery generated by the sending party's telecopies machine or e-mail log). If any notice, demand, consent, request, instruction or other communication cannot be delivered because of a changed address of which no notice was given (in accordance with this Section 11), or the refusal to accept same, the notice, demand, consent, request, instruction or other communication shall be deemed received on the second (2nd) Business Day the notice is sent (as evidenced by a sworn affidavit of the sender). All such notices, demands, consents, requests, instructions and other communications will be sent to the addresses first above written. Any notice, consent, direction, approval, instruction, request or other communication given in accordance with this Section 11 shall be effective after it is received by the intended recipient.

## 10. GENERAL PROVISIONS.

(a) Benefit of Agreement and Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, successors and permitted assigns; provided, however, that the Executive may not assign any of his rights or duties hereunder except upon the prior written consent of the Company. This Agreement shall be binding on any successor to the Company whether by merger, consolidation, acquisition of all or substantially all of the Company's stock, assets or business or otherwise, as fully as if such successor were a signatory hereto, and the Company shall cause such successor to, and such successor shall, expressly assume the Company's obligations hereunder. The term "**Company**" as used in this Agreement shall include all such successors. Except as expressly permitted by Section 11(a), nothing herein is intended to or shall be construed to confer upon or give any person, other than the parties hereto, any rights, privileges or remedies under or by reason of this Agreement.

Governing Law: Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF LAW, CONFLICTS OF LAWS. THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED WITHOUT REGARD TO ANY PRESUMPTION AGAINST THE PARTY CAUSING THIS AGREEMENT TO BE DRAFTED. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY RIGHT TO CONTEST THE VENUE OF SAID COURTS OR TO CLAIM THAT SAID COURTS CONSTITUTE AN INCONVENIENT FORUM. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(b) Entire Agreement. This Agreement contains the entire understanding and agreement of the parties, and supersedes any and all other prior and/or contemporaneous understandings and agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof: all of which are merged herein. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

(c) Amendments: Waiver. This Agreement may be modified, amended or waived only by an instrument in writing signed by the Company and the Executive. No waiver of any provision hereof shall be valid unless made in writing and signed by the party making the waiver. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

(d) Attorneys' Fees. Should any party hereto institute any action or proceeding at law or in equity, or in connection with any arbitration, to enforce any provision of this Agreement, including an action for declaratory relief, or for damages by reason of an alleged breach of any provision of this Agreement, or otherwise in connection with this Agreement, or any provision hereof, the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and expenses for services rendered to the prevailing party in such action or proceeding.

(e) Right to Legal Representation. The Executive represents and warrants that the Executive has read this Agreement and the Executive understands connection with the negotiation and execution of this Agreement and that the Executive has either retained and has been represented by such legal counsel or has knowingly and voluntarily waived his right to such legal counsel and desires to enter into this Agreement without the benefit of independent legal representation. The Executive acknowledges that Robinson & Cole LLP is representing the Company in connection with this Agreement and that it is not representing the Executive in connection with this Agreement.

(f) Affirmations of the Executive. By the Executive's signature below, the Executive represents to and agrees with the Company that the Executive hereby accepts this Agreement subject to all of the terms and provisions hereof. The Executive has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all of the provisions of this Agreement.

IN WITNESS WHEREOF, each of the Company and the Executive has executed this Agreement as of the date first above written.

GROWGENERATION CORP.

EXECUTIVE

By: \_\_\_\_\_  
Darren Lampert

By: \_\_\_\_\_  
Monty Lamirato

## FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the “**Agreement**”) dated as of **March 23, 2020** (the “**Effective Date**”), is by and between GrowGeneration Corp., a Colorado Corporation with offices at 1000 W Mississippi Ave., Denver, CO 80223 (the “**Company**”) and Darren Lampert an individual residing at 24 Orchard Drive, Armonk, NY 10504, (the “**Executive**”).

## RECITALS

**WHEREAS**, the Company desires to continue to employ the Executive and the Executive desires to continue employment with the Company, all upon the terms and provisions, and subject to the conditions, as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual premises, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt, and legal adequacy of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

**1. POSITION AND DUTIES.**

(a) **Reporting.** During the term of this Agreement (the “**Employment Term**”), the Company shall employ the Executive, and the Executive shall serve, as the Chief Executive Officer of the Company. The Executive shall report directly to the Board of Directors of the Company.

(b) **Responsibilities.** The Executive shall have responsibility to oversee all aspects of the Company’s business activities as are customarily performed and enjoyed by persons employed in comparable positions, subject, however, in all instances to the direction and control of the Board.

(c) **Devotion of Executive’s Time.** Subject to Section 2(d) hereof, the Executive shall devote all of his business time, labor, skill and energy to conducting the business and affairs of the Company and to performing his duties and responsibilities to the Company as set forth in Section 2(b) hereof. The Executive shall not become employed with, consult with or otherwise perform services for any other entity or individual during the Term of this Agreement. The Executive shall perform the Executive’s duties and responsibilities to the Company diligently, competently, faithfully and to the best of his ability. Executive shall perform his duties from his home office and shall travel as needed.

(d) **Representations.** The Executive represents and warrants to the Company that the Executive has the right to negotiate and enter into this Agreement, and the Executive’s execution, delivery and performance of this Agreement does not breach, interfere with or conflict with any other contractual agreement, covenant not to compete, option, right of first refusal or other existing business relationship or any judgment or order, in each case, to which the Executive is a party or otherwise subject.

**2. EMPLOYMENT TERM.**

(a) **Initial Term.** The initial term of employment shall be for a period of three years (the “**Employment Term**”), commencing on January 1, 2020 unless sooner terminated as provided in this Agreement. This Agreement shall be renewed annually for a term of one year unless the Company or the Executive gives notice to the other of termination at least hundred and eighty (180) days prior to the expiration of the initial term, or any successive term, as the case may be.

(b) **Termination for Cause.** Notwithstanding the provisions of Section 2(a) above, the Company shall have the right to terminate the Executive’s employment for Cause (as defined in Section 2(c) below); provided, however, that the Executive shall not be deemed to have been terminated for Cause unless and until the Board of Directors at a meeting duly called and held for that purpose shall have determined that the Executive committed an act falling within the definition of Cause and specifying the basis for such determination. If the Executive’s employment shall be terminated by the Company for Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination. If the Executive’s employment shall be terminated by the Company without Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination.

(c) Cause. For purposes of this Agreement the term, “Cause” shall mean the Executive’s: (a) engagement in gross misconduct materially injurious to the Company; (b) knowing and willful neglect or refusal to attend to the material duties assigned to him by the Board of Directors of the Company, which is not cured within 30 days after written notice; (c) conviction of an act of fraud or embezzlement; or (e) conviction of a felony.

(d) Notice of Termination. Any purported termination of the Executive’s employment by the Company hereunder shall be communicated by a Notice of Termination to the Executive in accordance with Section 13. For purposes of this Agreement, a “**Notice of Termination**” shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provisions so indicated.

(e) Date of Termination. For purposes of this Agreement, the date of termination shall be: (a) if this Agreement is terminated by the Company for Incapacity (as defined in Section 4(a) below), the date on which a Notice of Termination is given. (b) if the Executive’s employment is terminated by the Company for any other reason (other than death), the date on which a Notice of Termination is given or (c) if the Company or Executive terminates his employment for any reason, the date on, which he gives the Company notice of such termination.

### **3. COMPENSATION**

The Company shall pay to the Executive for the services to be rendered by the Executive hereunder, a salary for the initial Employment Term under this Agreement at the rate of \$275,000 per annum. The salary shall be payable in accordance with the Company’s regular policies, subject to applicable withholding and other taxes. Such Salary will be increased during the term of this Agreement by 10 percent annually.

(a) Bonus. The Executive shall receive a bonus with respect to each fiscal year of the Company during which he is employed hereunder, commencing with the year ending December 31, 2020 in an amount equal to 0.5% multiplied by the difference between revenue in each fiscal year less \$79,773,568 .

(b) Grant of Common Shares and Stock Options. The Company also agreed to (i) issue the Executive a total of 300,000 shares of common stock in three equal installments each year; and (ii) grant the Executive 300,000 options to purchase shares of Common Stock of the Company with a three year vesting schedule with 100,000 options vested as of January 1, 2020, 100,000 options as of January 1, 2021 and 100,000 options as of January 1, 2022. In addition, Mr. Lampert shall receive a one-time signing bonus of 100,000 shares of common stock as of January 1, 2020

(c) Expenses. The Company agrees promptly to reimburse the Executive for all reasonable and necessary• business expenses, including without limitation: travel and telephone incurred by him on behalf of the Company in the course of his duties hereunder, upon the presentation by the Executive of appropriate evidence thereof.

#### **4. DEATH; INCAPACITY.**

(a) Incapacity. If, during the Employment Term hereunder, because of illness or other incapacity, the Executive shall fail for a period of six (6) consecutive months ("Incapacity"), to render the services contemplated hereunder, then the Company, at its option, may terminate the employment hereunder by notice to the Executive, effective on the giving of such notice: provided however, that the Company shall (i) pay to the Executive any unpaid salary through the effective date of termination specified in such notice; (I) pay to the Executive his accrued but unpaid incentive compensation, if any, for any bonus period ending on or before the date of termination of the Executive's employment with the Company; (iii) continue to pay the Executive for a period of six (6) months following the effective date of termination, an amount equal to the excess, if any, of (A) the salary he was receiving at the time of his In capacity, over (B) any benefit the Executive is entitled to receive during such period under any disability insurance policies provided to the Executive by the Company or maintained by the Executive, such amount to be paid in the manner and at such time as the salary otherwise would have been payable to the Executive; and (iv) pay to the Executive (within 45 days after the end of the fiscal quarter in which such termination occurs) a pro-rata portion (based upon the period ending on the date of termination of the Executive's employment hereunder) of the incentive compensation, if any, for the bonus period in which such termination occurs. The Company shall have no further liability hereunder (other than for reimbursement for reasonable business expenses incurred prior to the date of the Executive's Incapacity and other reimbursable expenses due under Section 3(t) through the date of Executive's Incapacity, and repayment of compensation for unused vacation days that have accumulated during the calendar years in which such termination occurs).

**5. TERMINATION BY THE COMPANY OR THE EXECUTIVE WITH NO REASON** Either the Company or the Executive shall have the right to terminate the Executive's employment hereunder for "No Reason" by providing the Company's Board of Directors with six months (180) days-notice. Notwithstanding the foregoing, if the Executive terminates this Agreement, the Company shall have the right to terminate this Agreement at any time during the 6-month (180) day notice period. If the Company shall terminate the Executive without cause the Company shall pay the Executive six (6) months' severance.

#### **6. EMPLOYEE BENEFITS.**

(a) Eligibility. During the period of the Executive's employment with the Company hereunder, the Executive shall be entitled to receive such other perquisites and fringe benefits generally if and when made available by the Company to its senior executives and key management employees as a group in accordance with the plans and policies of the Company..

(b) Vacation Time. The Executive shall be entitled to paid vacation time and holidays per annum as is consistent with his position with the Company and the performance of his duties hereunder: provided that the Executive shall not be able to take vacation time at any time that would materially interfere with the business or operations of the Company. The Executive shall be entitled to four (4) weeks of paid vacation for each twelve (12) months of employment.

(c) The Executive is entitled to paid time for all observed holidays.

**7. DEDUCTIONS AND WITHHOLDINGS.** The amounts payable or which become payable to the Executive under any provision of this Agreement shall be subject to such deductions and withholdings as is required by applicable

**8. INDEMNIFICATION.** The Company shall indemnify the Executive in his capacity as an officer of the Company to the fullest extent permitted by applicable law against all debts\_ judgments, costs, charges, or expenses whatsoever incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of his being or having been an officer of the Company, or because of actions taken by the Executive which were believed by the Executive to be in the best interests of the Company. and the Executive shall be entitled to be covered by any directors' and officers' liability insurance policies which the Company may maintain for the benefit of its directors and officers, subject to the limitations of any such policies. The Company shall have the right to assume, with legal counsel of its choice, the defense of the Executive in any such action, suit or proceeding for which the Company is providing indemnification to the Executive. Should the Executive determine to employ separate legal counsel in any such action, suit or proceeding, any costs and expenses of such separate legal counsel shall be the sole responsibility of the Executive. If the Company does not assume the defense of any such action, suit or other proceeding, the Company shall, upon request of the Executive, promptly advance or pay an amount for costs or expenses (including, without limitation, the reasonable legal fees and expenses of counsel retained by the Executive) incurred by the Executive in connection with any such action, suit or proceeding. The Company shall not indemnify the Executive against any actions that would be deemed illegal or contrary to the general indemnification provisions of the Delaware General Corporation Law.



## 9. RESTRICTIONS, RESPECTING CONFIDENTIAL INFORMATION, COMPETING BUSINESSES, ETC.

(a) Acknowledgments of Executive. The Executive acknowledges and ages that by virtue of the Executive's position and involvement with the business and affairs of the Company, the Executive will develop substantial expertise and knowledge with respect to all aspects of the business, affairs and operations of the Company and will have access to all significant aspects of the business and operations of the Company and to Confidential and Proprietary Information (as such term is hereinafter defined). The Executive acknowledges and agrees that the Company will be damaged if the Executive were to breach any of the provisions of this Section 10 or if the Executive were to disclose or make unauthorized use of any Confidential and Proprietary Information. Accordingly, the Executive expressly acknowledges and agrees that the Executive is voluntarily entering into this Agreement and that the terms, provisions and conditions of this Section 10 are fair and reasonable and necessary to adequately protect the Company.

(b) Definition of Confidential Information. For purposes of this: Agreement the term "**Confidential and Proprietary Information**" shall mean any and all (confidential or proprietary information or material not in the public domain about or relating to the business operations, assets or financial condition of the Company or any of its subsidiaries or affiliates, or any of its trade *secrets*, including, without limitation, research and development plans or projects: data and reports: computer materials such as programs, instructions and printouts; formulas: product testing information: business improvements, processes, marketing and selling strategies; strategic business plans (whether pursued or not): budgets: unpublished financial statements; licenses: pricing, pricing strategy and cost data: information regarding the skills and compensation of executives; the identities of clients and potential clients: and (ii) any other information documentation or material not in the public domain by virtue of any action by or on the part of the Executive, the knowledge of which gives or may give the Company or any of its subsidiaries or affiliates a material competitive advantage over any entity not possessing such information. For purposes hereof, the term Confidential and Proprietary Information shall not include any information or material (i) that is known to the general public other than due to a breach of this Agreement by the Executive; or (ii) was disclosed to the Executive by a person or entity who the Executive did not reasonably believe was bound to a confidentiality or similar agreement with the Company.

(c) Disclosure of Confidential Information. The Executive hereby covenants and agrees that, while the Executive is employed by the Company and for a period of one (1) year thereafter, unless otherwise authorized by the Company in writing, the Executive shall not, directly or indirectly, under any circumstance: (i) disclose to any other person or entity (other than in the regular course of business of the Company) any Confidential and Proprietary Information, other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company: (ii) act or fail to act so as to impair the confidential or proprietary nature of any Confidential and Proprietary Information; (iii) use any Confidential and Proprietary information other than for the sole and exclusive benefit of the Company: or (iv) offer or agree to or cause or assist in the inception or continuation of any such disclosure, impairment or use of any Confidential and Proprietary Information. Following the Employment Term, the Executive shall return all documents, records and other items containing any Confidential and Proprietary Information to the Company (regardless of the medium in which maintained or stored), without retaining any copies, notes or excerpts thereof, or at the request of the Company, shall destroy such documents, records and items (any such destruction to be certified by the Executive to the Company in writing). Following the Employment Term, the Executive shall return to the Company any property or assets of the Company in the Executive's possession.

(d) Non-Compete. The Executive covenants and agrees that, while the Executive is employed by the Company, in the state of CO and a period of two (2) years thereafter, the Executive shall not, directly or indirectly, manage, operate or control or participate in the ownership, management, operation or control of or otherwise become interested in (whether as an owner, stockholder, member, partner, lender, consultant, executive, officer, director, agent, supplier, distributor or otherwise) any business which is competitive with the business of the Company or any of its subsidiaries or affiliates, or, directly or indirectly, induce or influence any person that has a business relationship with the Company or any of its subsidiaries or affiliates to discontinue or reduce the extent of such relationship. For purposes of this Agreement, the Executive shall be deemed to be directly or indirectly interested in a business if he is engaged or interested in that business as a stockholder, director, officer, executive, agent, member, partner individual proprietor, consultant, advisor or otherwise, but not if the Executive's interest is limited solely to the ownership of not more than five percent (5%) of the securities of any class of equity securities of a corporation or other person whose shares are listed or admitted to trade on a national securities exchange or are quoted on an electronic quotation medium.

(e) No Solicitation. While the Executive is employed by the Company and for one (1) year after the Executive ceases to be an employed by the Company, the Executive shall not, directly or indirectly, solicit to employ, or employ for himself or others, any employee of the Company, or any subsidiary or affiliate of the Company, who was not Mown to the Executive prior to the date of this Agreement.

(f) Specific Performance. Because the breach of any of the provisions of this Section 10 may result in immediate and irreparable injury to the Company for which the Company may not have an adequate remedy at law, the Company shall be entitled, in addition to all other rights and remedies available to it at law, in equity or otherwise, to a decree of specific performance of the restrictive covenants contained in this Section 10 and to a temporary and permanent injunction enjoining such breach (without being required to post a bond or furnish other security to show any damages).

(g) Challenge of Agreement by Executive. In the event the Executive challenges this Agreement and an injunction is issued staying the implementation of any of the restrictions imposed by Section 10 hereof: the time remaining on the restrictions shall be tolled until the challenge is resolved by final adjudication, settlement or otherwise, except that the time remaining on the restrictions shall not be tolled during any period in which the Executive is unemployed.

(h) Interpretation of Restrictions. Executive acknowledges that the type and periods of restriction imposed by this Section 10 are fair and reasonable and are reasonably required for the protection of the legitimate interests of the Company and the goodwill associated with the business of the Company; and that the time, scope, geographic area and other provisions of this Agreement have been specifically negotiated by sophisticated commercial parties and are given as an integral part of the transactions contemplated hereby. If any of the covenants in this Section 10, or any part hereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants herein, which shall be given full effect, without regard to the invalid portions. In the event that any covenant contained in this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

**9. NOTICES.** All notices, demands, consents, requests, instructions and other communications to be given or delivered or permitted under or by reason of the provisions of this Agreement or in connection with the transactions contemplated hereby shall be in writing and shall be deemed to be delivered and received by the intended recipient as follows: (i) if personally delivered, on the “**Business Day**” (defined as a day on which the New York Stock Exchange is open) of such delivery (as evidenced by the receipt of the personal delivery service); (ii) if mailed certified or registered mail return receipt requested, four (4) Business Days after being mailed; (iii) if delivered by overnight courier (with all charges having been prepaid), on the Business Day of such delivery (as evidenced by the receipt of the overnight courier service of recognized standing); or (iv) if delivered by facsimile or e-mail transmission, on the Business Day of such delivery if sent by 6:00 p.m. in the time zone of the recipient, or if sent after that time, on the next succeeding Business Day (as evidenced by the printed confirmation of delivery generated by the sending party’s telecopies machine or e-mail log). If any notice, demand, consent, request, instruction or other communication cannot be delivered because of a changed address of which no notice was given (in accordance with this Section 11), or the refusal to accept same, the notice, demand, consent, request, instruction or other communication shall be deemed received on the second (2nd) Business Day the notice is sent (as evidenced by a sworn affidavit of the sender). All such notices, demands, consents, requests, instructions and other communications will be sent to the addresses first above written. Any notice, consent, direction, approval, instruction, request or other communication given in accordance with this Section 11 shall be effective after it is received by the intended recipient.

## **10. GENERAL PROVISIONS.**

(a) **Benefit of an agreement and Assignment.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, successors and permitted assigns; provided, however, that the Executive may not assign any of his rights or duties hereunder except upon the prior written consent of the Company. This Agreement shall be binding on any successor to the Company whether by merger, consolidation, acquisition of all or substantially all of the Company's stock, assets or business or otherwise, as fully as if such successor were a signatory hereto, and the Company shall cause such successor to, and such successor shall, expressly assume the Company's obligations hereunder. The term "**Company**" as used in this Agreement shall include all such successors. Except as expressly permitted by Section 11(a), nothing herein is intended to or shall be construed to confer upon or give any person, other than the parties hereto, any rights, privileges or remedies under or by reason of this Agreement.

**Governing Law: Jurisdiction.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF LAW CONFLICTS OF LAWS. THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED WITHOUT REGARD TO ANY PRESUMPTION AGAINST THE PARTY CAUSING THIS AGREEMENT TO BE DRAFTED. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY RIGHT TO CONTEST THE VENUE OF SAID COURTS OR TO CLAIM THAT SAID COURTS CONSTITUTE AN INCONVENIENT FORUM. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(b) **Entire Agreement.** This Agreement contains the entire understanding and agreement of the parties and supersedes any and all other prior and/or contemporaneous understandings and agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof: all of which are merged herein. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein and that no other agreement statement or promise not contained in this Agreement shall be valid or binding.

(c) **Amendments: Waiver.** This Agreement may be modified, amended or waived only by an instrument in writing signed by the Company and the Executive. No waiver of any provision hereof shall be valid unless made in writing and signed by the party making the waiver. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

(d) **Attorneys' Fees.** Should any party hereto institute any action or proceeding at law or in equity, or in connection with any arbitration, to enforce any provision of this Agreement, including an action for declaratory relief or for damages by reason of an alleged breach of any provision of this Agreement or otherwise in connection with this Agreement or any provision hereof the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and expenses for services rendered to the prevailing party in such action or proceeding.

(e) **Right to Legal Representation.** The Executive represents and warrants that the Executive has read this Agreement and the Executive understands connection with the negotiation and execution of this Agreement and that the Executive has either retained and has been represented by such legal counsel or has knowingly and voluntarily waived his right to such legal counsel and desires to enter into this Agreement without the benefit of independent legal representation. The Executive acknowledges that Robinson & Cole LLP is representing the Company in connection with this Agreement and that it is not representing the Executive in connection with this Agreement.

(f) **Affirmations of the Executive.** By the Executive's signature below, the Executive represents to and agrees with the Company that the Executive hereby accepts this Agreement subject to all of the terms and provisions hereof. The Executive has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all of the provisions of this Agreement.

IN WITNESS WHEREOF, each of the Company and the Executive has executed this Agreement as of the date first above written.

**GROWGENERATION CORP.**

By: \_\_\_\_\_

Print:

**EXECUTIVE**

By: \_\_\_\_\_

Darren Lampert

## FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the “**Agreement**”) dated as of **March 23, 2020** (the “**Effective Date**”), is by and between GrowGeneration Corp., a Colorado Corporation with offices at 1000 W Mississippi Ave., Denver, CO 80223 (the “**Company**”) and Michael Salaman an individual residing at 1220 Waterford Court, Gladwyne, PA 19035, (the “**Executive**”).

## RECITALS

**WHEREAS**, the Company desires to continue to employ the Executive and the Executive desires to continue employment with the Company, all upon the terms and provisions, and subject to the conditions, as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual premises, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt, and legal adequacy of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

**1. POSITION AND DUTIES.**

(a) **Reporting.** During the term of this Agreement (the “**Employment Term**”), the Company shall employ the Executive, and the Executive shall serve, as the President of the Company. The Executive shall report directly to the CEO and Board of Directors of the Company.

(b) **Responsibilities.** The Executive shall have responsibility to oversee all aspects of the Company’s business activities as are customarily performed and enjoyed by persons employed in comparable positions, subject, however, in all instances to the direction and control of the CEO and Board.

(c) **Devotion of Executive’s Time.** Subject to Section 2(d) hereof, the Executive shall devote all of his business time, labor, skill and energy to conducting the business and affairs of the Company and to performing his duties and responsibilities to the Company as set forth in Section 2(b) hereof. The Executive shall not become employed with, consult with or otherwise perform services for any other entity or individual during the Term of this Agreement. The Executive shall perform the Executive’s duties and responsibilities to the Company diligently, competently, faithfully and to the best of his ability. Executive shall perform his duties from his home office and shall travel as needed.

(d) **Representations.** The Executive represents and warrants to the Company that the Executive has the right to negotiate and enter into this Agreement, and the Executive’s execution, delivery and performance of this Agreement does not breach, interfere with or conflict with any other contractual agreement, covenant not to compete, option, right of first refusal or other existing business relationship or any judgment or order, in each case, to which the Executive is a party or otherwise subject.

**2. EMPLOYMENT TERM.**

(a) **Initial Term.** The initial term of employment shall be for a period of three years (the “**Employment Term**”), commencing on January 1, 2020 unless sooner terminated as provided in this Agreement. This Agreement shall be renewed annually for a term of one year unless the Company or the Executive gives notice to the other of termination at least hundred and eighty (180) days prior to the expiration of the initial term, or any successive term, as the case may be.

(b) Termination for Cause. Notwithstanding the provisions of Section 2(a) above, the Company shall have the right to terminate the Executive's employment for Cause (as defined in Section 2(c) below); provided, however, that the Executive shall not be deemed to have been terminated for Cause unless and until the Board of Directors at a meeting duly called and held for that purpose shall have determined that the Executive committed an act falling within the definition of Cause and specifying the basis for such determination. If the Executive's employment shall be terminated by the Company for Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination. If the Executive's employment shall be terminated by the Company without Cause, then the Company shall pay to the Executive any unpaid salary, bonuses and benefits through the effective date of termination.

(c) Cause. For purposes of this Agreement the term, "**Cause**" shall mean the Executive's: (a) engagement in gross misconduct materially injurious to the Company; (b) knowing and willful neglect or refusal to attend to the material duties assigned to him by the Board of Directors of the Company, which is not cured within 30 days after written notice; (c) conviction of an act of fraud or embezzlement; or (e) conviction of a felony.

(d) Notice of Termination. Any purported termination of the Executive's employment by the Company hereunder shall be communicated by a Notice of Termination to the Executive in accordance with Section 13. For purposes of this Agreement, a "**Notice of Termination**" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provisions so indicated.

(e) Date of Termination. For purposes of this Agreement, the date of termination shall be: (a) if this Agreement is terminated by the Company for Incapacity (as defined in Section 4(a) below), the date on which a Notice of Termination is given. (b) if the Executive's employment is terminated by the Company for any other reason (other than death), the date on which a Notice of Termination is given or (c) if the Company or Executive terminates his employment for any reason, the date on, which he gives the Company notice of such termination.

### **3. COMPENSATION**

The Company shall pay to the Executive for the services to be rendered by the Executive hereunder, a salary for the initial Employment Term under this Agreement at the rate of \$275,000 per annum. The salary shall be payable in accordance with the Company's regular policies, subject to applicable withholding and other taxes. Such Salary will be increased during the term of this Agreement by 10 percent annually.

(a) Bonus. The Executive shall receive a bonus with respect to each fiscal year of the Company during which he is employed hereunder, commencing with the year ending December 31, 2020 in an amount equal to 0.5% multiplied by the difference between revenue in each fiscal year less \$79,773,568 .

(b) Grant of Common Shares and Stock Options. The Company also agreed to (i) issue the Executive a total of 300,000 shares of common stock in three equal installments each year; and (ii) grant the Executive 300,000 options to purchase shares of Common Stock of the Company with a three year vesting schedule with 100,000 options vested as of January 1, 2020, 100,000 options as of January 1, 2021 and 100,000 options as of January 1, 2022. In addition, Mr. Salaman shall receive a one-time signing bonus of 100,000 shares of common stock as of January 1, 2020

(c) Expenses. The Company agrees promptly to reimburse the Executive for all reasonable and necessary business expenses, including without limitation: travel and telephone incurred by him on behalf of the Company in the course of his duties hereunder, upon the presentation by the Executive of appropriate evidence thereof.

#### **4. DEATH; INCAPACITY.**

(a) Incapacity. If, during the Employment Term hereunder, because of illness or other incapacity, the Executive shall fail for a period of six (6) consecutive months ("Incapacity"), to render the services contemplated hereunder, then the Company, at its option, may terminate the employment hereunder by notice to the Executive, effective on the giving of such notice: provided however, that the Company shall (i) pay to the Executive any unpaid salary through the effective date of termination specified in such notice; (I) pay to the Executive his accrued but unpaid incentive compensation, if any, for any bonus period ending on or before the date of termination of the Executive's employment with the Company; (iii) continue to pay the Executive for a period of six (6) months following the effective date of termination, an amount equal to the excess, if any, of (A) the salary he was receiving at the time of his In capacity, over (B) any benefit the Executive is entitled to receive during such period under any disability insurance policies provided to the Executive by the Company or maintained by the Executive, such amount to be paid in the manner and at such time as the salary otherwise would have been payable to the Executive; and (iv) pay to the Executive (within 45 days after the end of the fiscal quarter in which such termination occurs) a pro-rata portion (based upon the period ending on the date of termination of the Executive's employment hereunder) of the incentive compensation, if any, for the bonus period in which such termination occurs. The Company shall have no further liability hereunder (other than for reimbursement for reasonable business expenses incurred prior to the date of the Executive's Incapacity and other reimbursable expenses due under Section 3(t) through the date of Executive's Incapacity, and repayment of compensation for unused vacation days that have accumulated during the calendar years in which such termination occurs).

**5. TERMINATION BY THE COMPANY OR THE EXECUTIVE WITH NO REASON** Either the Company or the Executive shall have the right to terminate the Executive's employment hereunder for "No Reason" by providing the Company's Board of Directors with six months (180) days-notice. Notwithstanding the foregoing, if the Executive terminates this Agreement, the Company shall have the right to terminate this Agreement at any time during the 6-month (180) day notice period. If the Company shall terminate the Executive without cause the Company shall pay the Executive six (6) months' severance.

#### **6. EMPLOYEE BENEFITS.**

(a) Eligibility. During the period of the Executive's employment with the Company hereunder, the Executive shall be entitled to receive such other perquisites and fringe benefits generally if and when made available by the Company to its senior executives and key management employees as a group in accordance with the plans and policies of the Company..

(b) Vacation Time. The Executive shall be entitled to paid vacation time and holidays per annum as is consistent with his position with the Company and the performance of his duties hereunder: provided that the Executive shall not be able to take vacation time at any time that would materially interfere with the business or operations of the Company. The Executive shall be entitled to four (4) weeks of paid vacation for each twelve (12) months of employment.

(c) The Executive is entitled to paid time for all observed holidays.

**7. DEDUCTIONS AND WITHHOLDINGS.** The amounts payable or which become payable to the Executive under any provision of this Agreement shall be subject to such deductions and withholdings as is required by applicable

**8. INDEMNIFICATION.** The Company shall indemnify the Executive in his capacity as an officer of the Company to the fullest extent permitted by applicable law against all debts\_ judgments, costs. charges, or expenses whatsoever incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of his being or having been an officer of the Company, or because of actions taken by the Executive which were believed by the Executive to be in the best interests of the Company. and the Executive shall be entitled to be covered by any directors' and officers' liability insurance policies which the Company may maintain for the benefit of its directors and officers. subject to the limitations of any such policies. The Company shall have the right to assume, with legal counsel of its choice. the defense of the Executive in any such action, suit or proceeding for which the Company is providing indemnification to the Executive. Should the Executive determine to employ separate legal counsel in any such action, suit or proceeding. any costs and expenses of such separate legal counsel shall be the sole responsibility of the Executive. If the Company does not assume the defense of any such action, suit or other proceeding. the Company shall, upon request of the Executive, promptly advance or pay an amount for costs or expenses (including, without limitation, the reasonable legal fees and expenses of counsel retained by the Executive) incurred by the Executive in connection with any such action, suit or proceeding. The Company shall not indemnify the Executive against any actions that would be deemed illegal or contrary to the general indemnification provisions of the Delaware General Corporation Law.

## **9. RESTRICTIONS, RESPECTING CONFIDENTIAL INFORMATION, COMPETING BUSINESSES, ETC.**

(a) Acknowledgments of Executive. The Executive acknowledges and ages that by virtue of the Executive's position and involvement with the business and affairs of the Company, the Executive will develop substantial expertise and knowledge with respect to all aspects of the business, affairs and operations of the Company and will have access to all significant aspects of the business and operations of the Company and to Confidential and Proprietary Information (as such term is hereinafter defined). The Executive acknowledges and agrees that the Company will be damaged if the Executive were to breach any of the provisions of this Section 10 or if the Executive were to disclose or make unauthorized use of any Confidential and Proprietary Information. Accordingly, the Executive expressly acknowledges and agrees that the Executive is voluntarily entering into this Agreement and that the terms, provisions and conditions of this Section 10 are fair and reasonable and necessary to adequately protect the Company.

(b) Definition of Confidential Information. For purposes of this: Agreement the term "**Confidential and Proprietary Information**" shall mean any and all (confidential or proprietary information or material not in the public domain about or relating to the business operations, assets or financial condition of the Company or any of its subsidiaries or affiliates, or any of its trade *secrets*, including, without limitation, research and development plans or projects: data and reports: computer materials such as programs, instructions and printouts; formulas: product testing information: business improvements, processes, marketing and selling strategies; strategic business plans (whether pursued or not): budgets: unpublished financial statements; licenses: pricing, pricing strategy and cost data: information regarding the skills and compensation of executives; the identities of clients and potential clients: and (ii) any other information documentation or material not in the public domain by virtue of any action by or on the part of the Executive, the knowledge of which gives or may give the Company or any of its subsidiaries or affiliates a material competitive advantage over any entity not possessing such information. For purposes hereof, the term Confidential and Proprietary Information shall not include any information or material (i) that is known to the general public other than due to a breach of this Agreement by the Executive; or (ii) was disclosed to the Executive by a person or entity who the Executive did not reasonably believe was bound to a confidentiality or similar agreement with the Company.

(c) Disclosure of Confidential Information. The Executive hereby covenants and agrees that, while the Executive is employed by the Company and for a period of one (1) year thereafter, unless otherwise authorized by the Company in writing, the Executive shall not, directly or indirectly, under any circumstance: (i) disclose to any other person or entity (other than in the regular course of business of the Company) any Confidential and Proprietary Information, other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company: (ii) act or fail to act so as to impair the confidential or proprietary nature of any Confidential and Proprietary Information; (iii) use any Confidential and Proprietary information other than for the sole and exclusive benefit of the Company: or (iv) offer or agree to or cause or assist in the inception or continuation of any such disclosure, impairment or use of any Confidential and Proprietary Information. Following the Employment Term, the Executive shall return all documents, records and other items containing any Confidential and Proprietary Information to the Company (regardless of the medium in which maintained or stored), without retaining any copies, notes or excerpts thereof, or at the request of the Company, shall destroy such documents, records and items (any such destruction to be certified by the Executive to the Company in writing). Following the Employment Term, the Executive shall return to the Company any property or assets of the Company in the Executive's possession.

(d) Non-Compete. The Executive covenants and agrees that, while the Executive is employed by the Company, in the state of CO and a period of two (2) years thereafter, the Executive shall not, directly or indirectly, manage, operate or control or participate in the ownership, management, operation or control of or otherwise become interested in (whether as an owner, stockholder, member, partner, lender, consultant, executive, officer, director, agent, supplier, distributor or otherwise) any business which is competitive with the business of the Company or any of its subsidiaries or affiliates, or, directly or indirectly, induce or influence any person that has a business relationship with the Company or any of its subsidiaries or affiliates to discontinue or reduce the extent of such relationship. For purposes of this Agreement, the Executive shall be deemed to be directly or indirectly interested in a business if he is engaged or interested in that business as a stockholder, director, officer, executive, agent, member, partner individual proprietor, consultant, advisor or otherwise, but not if the Executive's interest is limited solely to the ownership of not more than five percent (5%) of the securities of any class of equity securities of a corporation or other person whose shares are listed or admitted to trade on a national securities exchange or are quoted on an electronic quotation medium.



(e) No Solicitation. While the Executive is employed by the Company and for one (1) year after the Executive ceases to be an employed by the Company, the Executive shall not, directly or indirectly, solicit to employ, or employ for himself or others, any employee of the Company, or any subsidiary or affiliate of the Company, who was not Mown to the Executive prior to the date of this Agreement.

(f) Specific Performance. Because the breach of any of the provisions of this Section 10 may result in immediate and irreparable injury to the Company for which the Company may not have an adequate remedy at law, the Company shall be entitled, in addition to all other rights and remedies available to it at law, in equity or otherwise, to a decree of specific performance of the restrictive covenants contained in this Section 10 and to a temporary and permanent injunction enjoining such breach (without being required to post a bond or furnish other security to show any damages).

(g) Challenge of Agreement by Executive. In the event the Executive challenges this Agreement and an injunction is issued staying the implementation of any of the restrictions imposed by Section 10 hereof: the time remaining on the restrictions shall be tolled until the challenge is resolved by final adjudication, settlement or otherwise, except that the time remaining on the restrictions shall not be tolled during any period in which the Executive is unemployed.

(h) Interpretation of Restrictions. Executive acknowledges that the type and periods of restriction imposed by this Section 10 are fair and reasonable and are reasonably required for the protection of the legitimate interests of the Company and the goodwill associated with the business of the Company; and that the time, scope, geographic area and other provisions of this Agreement have been specifically negotiated by sophisticated commercial parties and are given as an integral part of the transactions contemplated hereby. If any of the covenants in this Section 10, or any part hereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants herein, which shall be given full effect, without regard to the invalid portions. In the event that any covenant contained in this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

**9. NOTICES.** All notices, demands, consents, requests, instructions and other communications to be given or delivered or permitted under or by reason of the provisions of this Agreement or in connection with the transactions contemplated hereby shall be in writing and shall be deemed to be delivered and received by the intended recipient as follows: (i) if personally delivered, on the “**Business Day**” (defined as a day on which the New York Stock Exchange is open) of such delivery (as evidenced by the receipt of the personal delivery service); (ii) if mailed certified or registered mail return receipt requested, four (4) Business Days after being mailed; (iii) if delivered by overnight courier (with all charges having been prepaid), on the Business Day of such delivery (as evidenced by the receipt of the overnight courier service of recognized standing); or (iv) if delivered by facsimile or e-mail transmission, on the Business Day of such delivery if sent by 6:00 p.m. in the time zone of the recipient, or if sent after that time, on the next succeeding Business Day (as evidenced by the printed confirmation of delivery generated by the sending party’s telecopies machine or e-mail log). If any notice, demand, consent, request, instruction or other communication cannot be delivered because of a changed address of which no notice was given (in accordance with this Section 11), or the refusal to accept same, the notice, demand, consent, request, instruction or other communication shall be deemed received on the second (2nd) Business Day the notice is sent (as evidenced by a sworn affidavit of the sender). All such notices, demands, consents, requests, instructions and other communications will be sent to the addresses first above written. Any notice, consent, direction, approval, instruction, request or other communication given in accordance with this Section 11 shall be effective after it is received by the intended recipient.

## **10. GENERAL PROVISIONS.**

(a) **Benefit of an agreement and Assignment.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, successors and permitted assigns; provided, however, that the Executive may not assign any of his rights or duties hereunder except upon the prior written consent of the Company. This Agreement shall be binding on any successor to the Company whether by merger, consolidation, acquisition of all or substantially all of the Company's stock, assets or business or otherwise, as fully as if such successor were a signatory hereto, and the Company shall cause such successor to, and such successor shall, expressly assume the Company's obligations hereunder. The term "**Company**" as used in this Agreement shall include all such successors. Except as expressly permitted by Section 11(a), nothing herein is intended to or shall be construed to confer upon or give any person, other than the parties hereto, any rights, privileges or remedies under or by reason of this Agreement.

**Governing Law: Jurisdiction.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF LAW CONFLICTS OF LAWS. THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED WITHOUT REGARD TO ANY PRESUMPTION AGAINST THE PARTY CAUSING THIS AGREEMENT TO BE DRAFTED. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY RIGHT TO CONTEST THE VENUE OF SAID COURTS OR TO CLAIM THAT SAID COURTS CONSTITUTE AN INCONVENIENT FORUM. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(b) **Entire Agreement.** This Agreement contains the entire understanding and agreement of the parties and supersedes any and all other prior and/or contemporaneous understandings and agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof: all of which are merged herein. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein and that no other agreement statement or promise not contained in this Agreement shall be valid or binding.

(c) **Amendments: Waiver.** This Agreement may be modified, amended or waived only by an instrument in writing signed by the Company and the Executive. No waiver of any provision hereof shall be valid unless made in writing and signed by the party making the waiver. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

(d) **Attorneys' Fees.** Should any party hereto institute any action or proceeding at law or in equity, or in connection with any arbitration, to enforce any provision of this Agreement, including an action for declaratory relief or for damages by reason of an alleged breach of any provision of this Agreement or otherwise in connection with this Agreement or any provision hereof the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and expenses for services rendered to the prevailing party in such action or proceeding.

(e) **Right to Legal Representation.** The Executive represents and warrants that the Executive has read this Agreement and the Executive understands connection with the negotiation and execution of this Agreement and that the Executive has either retained and has been represented by such legal counsel or has knowingly and voluntarily waived his right to such legal counsel and desires to enter into this Agreement without the benefit of independent legal representation. The Executive acknowledges that Robinson & Cole LLP is representing the Company in connection with this Agreement and that it is not representing the Executive in connection with this Agreement.

(f) **Affirmations of the Executive.** By the Executive's signature below, the Executive represents to and agrees with the Company that the Executive hereby accepts this Agreement subject to all of the terms and provisions hereof. The Executive has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all of the provisions of this Agreement.

IN WITNESS WHEREOF, each of the Company and the Executive has executed this Agreement as of the date first above written.

**GROWGENERATION CORP.**

**EXECUTIVE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Print:

Michael Salaman

**GrowGeneration Corp.****Code of Ethics and Business Conduct for Officers, Directors and Employees****1. TREAT IN AN ETHICAL MANNER THOSE TO WHOM THE COMPANY HAS AN OBLIGATION.**

The officers, directors and employees of GrowGeneration Corp. and its wholly-owned subsidiaries (the “Company” or “we”) are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due to everyone. For the communities in which we live and work we are committed to observe sound environmental business practices and to act as concerned and responsible neighbors, reflecting all aspects of good citizenship. For our shareholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources. For our suppliers and partners we are committed to fair competition and the sense of responsibility required of a good customer and teammate.

**2. PROMOTE A POSITIVE WORK ENVIRONMENT.**

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and will not tolerate harassment or discrimination of any kind - especially in connection with race, color, religion, gender, age, national origin, disability, and veteran or marital status. Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

**3. PROTECT YOURSELF, YOUR FELLOW EMPLOYEES, AND THE WORLD WE LIVE IN.**

We are committed to providing a drug-free, safe and healthy work environment, and to observing environmentally sound business practices. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health and safety laws and regulations.

**4. KEEP ACCURATE AND COMPLETE RECORDS.**

We must maintain accurate and complete corporate records. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in our books in accordance with generally accepted accounting practices and principles. No one should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

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## 5. OBEY THE LAW.

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

- a. **STRICTLY ADHERE TO ALL ANTITRUST LAWS.** Officer, directors and employees must strictly adhere to all antitrust laws. Such laws exist in the United States and in many other countries where the Company may conduct business. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.
- b. **STRICTLY COMPLY WITH ALL SECURITIES LAWS.** In our role as a publicly owned company, we must always be alert to and comply with the security laws and regulations of the United States and other countries.
  - i. **DO NOT ENGAGE IN SPECULATIVE OR INSIDER TRADING.** Federal law and Company policy prohibits officers, directors and employees, directly or indirectly through their families or others, from purchasing or selling the stock of the Company while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits officers, directors and employees from trading options on the open market in the stock of the Company under any circumstances. Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If an officer, director or employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the officer, director or employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, officers, directors and employees should always carefully consider how their trades would look from this perspective. Two simple rules can help protect you in this area: (1) Do not use nonpublic information for personal gain. (2) Do not pass along such information to someone else who has no need to know. This guidance also applies to the securities of other companies for which you receive information in the course of your employment at the Company. For more information, refer to the Company's Insider Trading Policy.
  - ii. **BE TIMELY AND ACCURATE IN ALL PUBLIC REPORTS.** As a public company, the Company must be fair and accurate in all reports filed with the United States Securities and Exchange Commission (the "SEC"). Officers, directors and management of the Company are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company. Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against individual employees including substantial fines and prison sentences. The principal executive officer and principal financial Officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and Directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

## 6. AVOID CONFLICTS OF INTEREST.

Our officers, directors and employees have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the Company. Officers, directors and employees should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

HERE ARE SOME WAYS A CONFLICT OF INTEREST COULD ARISE:

- Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by the Company.
- Acceptance of gifts, payment, or services from those seeking to do business with the Company.
- Placement of business with a firm owned or controlled by an officer, director or employee or his/her family.
- Ownership of, or substantial interest in, a company that is a competitor, client or supplier.
- Acting as a consultant to the Company, a customer, client or supplier.
- Seeking the services or advice of an accountant or attorney who has provided services to the Company.

Officers, directors and employees are under a continuing obligation to disclose any situation that presents the possibility of a conflict or disparity of interest between the officer, director or employee and the Company. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

## 7. COMPETE ETHICALLY AND FAIRLY FOR BUSINESS OPPORTUNITIES.

We must comply with the laws and regulations that pertain to the acquisition of goods and services. We will compete fairly and ethically for all business opportunities. In circumstances where there is reason to believe that the release or receipt of non-public information is unauthorized, do not attempt to obtain and do not accept such information from any source. If you are involved in Company transactions, you must be certain that all statements, communications, and representations are accurate and truthful.

#### 8. AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS.

The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Officers, directors and employees of the Company will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company's reputation.

#### 9. MAINTAIN THE INTEGRITY OF CONSULTANTS, AGENTS, AND REPRESENTATIVES.

Business integrity is a key standard for the selection and retention of those who represent the Company. Agents, representatives and consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

#### 10. PROTECT PROPRIETARY INFORMATION.

Proprietary Company information may not be disclosed to anyone without proper authorization. Keep proprietary documents protected and secure. In the course of normal business activities, suppliers, customers and competitors may sometimes divulge to you, information that is proprietary to their business. Respect these confidences.

#### 11. OBTAIN AND USE COMPANY ASSETS WISELY.

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission.

#### 12. FOLLOW THE LAW AND USE COMMON SENSE IN POLITICAL CONTRIBUTIONS AND ACTIVITIES.

The Company encourages its employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. In the United States, federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices - this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions.

### 13. BOARD COMMITTEES.

The Audit Committee of the Board of Directors of the Company is empowered to enforce this Code of Ethics and Business Conduct (the "Code"). The Audit Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Code, the Company's controls and reporting procedures and the Company's business conduct.

### 14. DISCIPLINARY MEASURES.

The Company shall consistently enforce the Code through appropriate means of discipline. Violations of the Code shall be promptly reported to the Audit Committee. Pursuant to procedures adopted by it, the Audit Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code. The disciplinary measures, which may be invoked at the discretion of the Audit Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution. Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.



List of Subsidiaries

Name	State of Incorporation/ Legal Jurisdiction
GGen Distribution Corp	Delaware
GrowGeneration Management Corp	Delaware
GrowGeneration Pueblo Corp	Colorado
GrowGeneration California Corp	Delaware
GrowGeneration Nevada Corp	Delaware
GrowGeneration Washington Corp	Delaware
GrowGeneration Rhode Island Corp	Delaware
GrowGeneration Michigan Corp	Delaware
GrowGeneration Oklahoma Corp	Delaware
GrowGeneration New England Corp	Delaware
GrowGeneration Florida Corp	Delaware
GrowGeneration HG Corp	Delaware
GrowGeneration Hemp Corp	Delaware
GrowGeneration Canada Corp	Province of Ontario

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-219212 and No. 333-226646, filed on July 10, 2017 and August 7, 2018, respectively) of GrowGeneration Corp. (the "Company") of our report dated March 27, 2020, relating to the consolidated financial statements of the Company appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2019.

/s/ Connolly Grady & Cha, P.C.

Certified Public Accountants  
Springfield, Pennsylvania  
March 27, 2020

## OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Darren Lampert, the Principal Executive Officer of GrowGeneration Corp. (the "Company"), certify that:

1. I have reviewed this Form 10-K of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: March 27, 2020

By: /s/ Darren Lampert  
Darren Lampert  
Chief Executive Officer  
(Principal Executive Officer)

## OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Monty Lamirato, the Principal Financial Officer of GrowGeneration Corp. (the "Company"), certify that:

1. I have reviewed this Form 10-K of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: March 27, 2020

By: /s/ Monty Lamirato

Monty Lamirato  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of GrowGeneration Corp. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darren Lampert, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the undersigned and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 27, 2020

By: /s/ Darren Lampert  
Darren Lampert  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of GrowGeneration Corp. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Monty Lamirato, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the undersigned and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 27, 2020

By: /s/ Monty Lamirato  
Monty Lamirato  
Chief Financial Officer  
(Principal Financial Officer)

**Audit Committee Charter  
of  
GrowGeneration Corp.**

**I. Audit Committee's Role**

The Audit Committee is a standing committee appointed by the Board of Directors of GrowGeneration Corp. (the "Company"). The purpose of the Audit Committee is to perform and to assist the Board of Directors in fulfilling its oversight responsibility relating to (i) the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls; (ii) the integrity of the Company's financial statements; (iii) the appointment, retention and performance of the internal auditors, if applicable; (iv) the annual independent audit of the Company's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (v) the compliance by the Company with legal and regulatory requirements, including the Company's disclosure controls and procedures; (vi) the evaluation of management's process to assess and manage the Company's enterprise risk issues; and (vii) the fulfillment of the other responsibilities set out herein. The Audit Committee shall also prepare the report of the Audit Committee required to be included in the Company's annual proxy statement when the Company is subject to the filing requirement of proxy statements under applicable securities laws.

In discharging its responsibilities, the Audit Committee is not itself responsible for the planning or conduct of audits or for any determination that the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

**II. Organization**

1. At least annually, this charter shall be reviewed and reassessed by the Audit Committee and any proposed changes shall be submitted to the Board of Directors for approval.
  2. The members of the Audit Committee shall be appointed by the Board of Directors and shall meet the independence and experience requirements specified in Part III below.
  3. In order to discharge its responsibilities, the Audit Committee shall establish each year a schedule of meetings. In planning the annual schedule of meetings, the Audit Committee shall ensure that sufficient opportunities exist for its members to meet separately with the independent auditors, the head of internal audit (if any) and management, and to meet in private with only the Audit Committee members present.
  4. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Audit Committee prior to each meeting. Minutes for all meetings of the Audit Committee shall be prepared to document the Audit Committee's discharge of its responsibilities. The minutes shall be circulated in draft form to all Audit Committee members to ensure an accurate final record, shall be approved at a subsequent meeting of the Audit Committee and shall be distributed periodically to the full Board of Directors. The Audit Committee shall make regular reports to the Board of Directors.
  5. The Audit Committee shall evaluate its performance on an annual basis and establish criteria for such evaluation.
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### III. Qualifications and Appointment of Audit Committee Members

The Board of Directors appoints the Chair and the members of Audit Committee, having determined their qualifications. Audit Committee members shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.

### IV. Committee Membership

1. The Audit Committee shall consist of no fewer than three members. The majority members of the Audit Committee shall meet the director and audit committee member independence requirements of the Corporate Governance Standards of the New York Stock Exchange, and Rule 10A-3 under the Securities Exchange Act of 1934, as amended.
2. Audit Committee members may not simultaneously serve on the audit committees of more than two other public companies.
3. Each member of the Audit Committee should be financially literate, as such qualification is interpreted by the Board of Directors in its business judgment; provided, however, that if any member of the Audit Committee is not financially literate when appointed to the Audit Committee, then he or she must become financially literate within a reasonable time after appointment.
4. At least one member of the Audit Committee:
  - i. shall be determined by the Board of Directors to have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment; and
  - ii. shall be determined by the Board of Directors to be an “audit committee financial expert,” as such term is defined by the U.S. Securities and Exchange Commission in Item 401(h) of Regulation S-K.

### V. Responsibilities

In carrying out its responsibilities, the Audit Committee shall perform the following duties:

1. The Audit Committee shall directly appoint, retain, compensate, evaluate and terminate the Company’s independent auditors. The Audit Committee shall have the sole authority to approve all engagement fees to be paid to the independent auditors. The independent auditor shall report directly to the Audit Committee.
2. The Audit Committee shall receive periodic reports from the independent auditors as required under generally accepted auditing standards (“GAAP”), applicable law or listing standards regarding the auditors’ independence, which shall be not less frequently than annually. The Audit Committee shall discuss such reports with the auditors, and if so determined by the Audit Committee, take appropriate action to satisfy itself of the independence of the auditors. The Audit Committee shall review the performance of the Company’s independent auditors annually. In doing so, the Audit Committee shall consult with management and the Company’s internal auditors (if any) and shall obtain and review a report by the independent auditors describing their internal control procedures, material issues raised by their most recent internal quality control review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years and the response of the independent auditors. The Audit Committee shall consider whether or not there should be a regular rotation of the independent audit firm. Any selection of the auditors by the Audit Committee may be subject to shareholders’ approval, as determined by the Board of Directors.



3. The Audit Committee shall discuss with the independent auditors the overall scope, plans and budget for the audit, including the adequacy of staffing and other factors that may affect the effectiveness of the audit. In this connection, the Audit Committee shall discuss with financial management, the internal auditors (if any) and the independent auditors the Company's major risk exposures (whether financial, operating or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures and manage legal compliance programs, among other considerations that may be relevant to the audit. The Audit Committee shall review with financial management and the independent auditors management's annual internal control report.
4. The Audit Committee shall annually review the structure, resources and performance of the Company's internal audit department, if applicable.
5. The Audit Committee shall establish and maintain guidelines for the retention of the independent auditors for any non-audit service and the fee for such service and shall determine procedures for the approval of audit and non-audit services in advance.
6. The Audit Committee shall review with management and the independent auditors the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Management shall review and discuss the Company's quarterly earnings press releases with the Audit Committee Chairman prior to their issuance.
7. The Audit Committee shall review periodically with financial management, the internal auditors (if any) and independent auditors the effect of new or proposed regulatory and accounting initiatives on the Company's financial statements and other public disclosures.
8. The Audit Committee shall prepare the report required to be included in the Company's annual proxy statement, when the Company is subject to the filing requirement of proxy statements under applicable securities laws, all in accordance with applicable rules and regulations.
9. The Audit Committee shall establish and maintain guidelines for the Company's hiring of former employees of the independent auditors, which shall meet the requirements of applicable law and listing standards.
10. The Audit Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
11. The Audit Committee shall periodically review with management, including the General Counsel, and the independent auditors any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Company's Standards of Business Conduct. The Audit Committee shall also meet periodically, and may request to meet separately, with the General Counsel and other appropriate legal staff of the Company, if any, and if appropriate, the Company's outside counsel, to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.

12. The Audit Committee shall review periodically the Company's policy with respect to related person transactions and shall review the Company's transactions with directors and executive officers of the Company and with firms that employ directors, as well as any other material related party transactions, for the purpose of recommending to the disinterested members of the Board of Directors that the transactions are fair, reasonable and within Company policy, and should be ratified and approved.
13. The Audit Committee shall review annually with the General Counsel, if any, the adequacy and appropriateness of the Company's compliance programs.
14. The Audit Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Audit Committee. The Audit Committee shall also carry out such other duties that may be delegated to it by the Board of Directors from time to time.

***\*\* Adopted by the Board of Directors of GrowGeneration Corp. as of March 16, 2018 \*\****

## GrowGeneration Corp.

## CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

**Purpose**

The Board of Directors of GrowGeneration Corp. (the “Company”) has established a Compensation Committee (“Compensation Committee”) for the purpose of reviewing, determining and approving all forms of compensation to be provided to the Company’s executive officers and any equity compensation to be provided to all employees and monitoring the performance of the Company’s executive officers. The Board of Directors has authorized and approved this Charter and delegated such authority as may be necessary to permit the Compensation Committee to carry out its responsibilities and functions.

**Membership**

The Compensation Committee shall be comprised of at least two members of the Board of Directors, all of whom shall be “independent directors,” as such term is defined in the NASDAQ listing standards, as well as any additional independence rules applicable to the Compensation Committee. In determining the independence of any director who will serve on the Compensation Committee, the Board of Directors shall consider all factors specifically relevant to determining whether a director has a relationship to the Company that is material to that director’s ability to be independent from management in connection with the duties of a member of the Compensation Committee, including but not limited to (a) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director, and (b) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company. Compensation Committee members shall also qualify as “nonemployee directors” under Section 16 of the Securities Exchange Act of 1934, as amended.

The members of the Compensation Committee shall be appointed annually by, and serve at the pleasure and discretion of, the Board of Directors. A Compensation Committee member may be removed at any time, with or without cause, by a vote of the majority of the Board of Directors. Unless a Chairperson of the Compensation Committee is appointed by the Board of Directors, the members of the Compensation Committee may designate a Chairperson by majority vote of the full Compensation Committee. The Compensation Committee shall have the authority to delegate certain responsibilities to subcommittees of the Compensation Committee.

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## **Responsibilities**

The Compensation Committee shall be responsible for reviewing and approving, on behalf of the Board of Directors, the amounts and types of compensation to be paid to the Company's executive officers; reviewing and approving, on behalf of the Board of Directors, all equity compensation to be paid to other employees of the Company; administering the Company's stock-based compensation plans; and monitoring the performance of the Company's executive officers. Such responsibilities shall include the following:

1. Evaluate at least annually the performance of the Company's chief executive officer and those officers who report to the chief executive officer (the "executive officers").
2. Annually determine the direct and incentive compensation of the chief executive officer of the Company.
3. After considering the recommendation of the Company's chief executive officer, annually determine the direct and incentive compensation of the executive officers.
4. Review and approve the criteria, methodologies and amounts for determination of all salary, bonus and long-term incentive awards for all employees, other than the executive officers. The chief executive officer and the executive officers will determine and administer the direct compensation and incentive plans for all other managers and employees within the approved aggregate salary, bonus and incentive budgets of the Company.
5. Review and approve the stock-based compensation, incentive and benefit plans of the Company that have been, or may in the future be, adopted by the Company and that require (by their terms or by law or regulation) the administration by the Compensation Committee or a committee of independent directors. Approve all stock options and equity compensation awarded to any of the Company's employees.
6. Review and approve all employment agreements and severance compensation for all corporate officers.
7. Annually in connection with the preparation of the Company's annual meeting proxy statement, review and discuss with management the Compensation Discussion and Analysis and, based on that review, recommend that the Compensation Discussion and Analysis be included in the proxy statement, and produce the Compensation Committee Report to be included in the proxy statement in accordance with the applicable rules and regulations of the Securities and Exchange Commission.
8. Review and recommend to the Board of Directors the election and removal of elected corporate officers.
9. At least annually, review and assist the Board of Directors in developing succession plans for the Company's executive officers and other appropriate management personnel.
10. Review and assess, on an annual basis, the adequacy of this charter, and recommend any desired changes to the Board of Directors for approval.
11. Conduct an annual evaluation of the Compensation Committee's performance.

## **Meetings and Reports**

The Compensation Committee shall meet at least annually, or as frequently as the Chairperson of the Compensation Committee may direct. Independent directors may attend any Compensation Committee meeting. Non-independent directors, management or other persons may attend Compensation Committee meetings upon the invitation of the Chairperson of the Compensation Committee; provided, however, that at each Compensation Committee meeting, the Compensation Committee shall have the opportunity to meet in executive session, without any members of management, non-independent directors or other persons present.

The Compensation Committee will be governed by the same rules and procedures that are applicable to the Board of Directors (including rules related to telephonic meetings, notice, waiver of notice, quorum, voting and action without a meeting).

The Compensation Committee will maintain written minutes of its meetings, which will be filed with the minutes of the meetings of the Board of Directors. The Compensation Committee may designate a secretary to take the minutes, and the secretary need not be a member of the Compensation Committee. At each regularly scheduled meeting of the Board of Directors, the Chairperson of the Compensation Committee will provide to the Board of Directors a report of any activities or proceedings of the Compensation Committee.

**Authority**

The Compensation Committee, with the full cooperation of management, shall be authorized and empowered, as it may from time to time deem necessary or advisable, to retain consultants or undertake such acts as contemplated by its Charter.

**GrowGeneration Corp.****CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE**PURPOSE AND POLICY

The purpose of the Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of GrowGeneration Corp. (the "Company") is to (i) oversee all aspects of the Company's corporate governance functions on behalf of the Board; (ii) make recommendations to the Board regarding corporate governance issues; (iii) identify, review and evaluate candidates to serve as directors of the Company consistent with criteria approved by the Board and review and evaluate incumbent directors; (iv) serve as a focal point for communication between such candidates, non-committee directors and the Company's management; (v) select or recommend to the Board for selection candidates to the Board to serve as nominees for director for the annual meeting of stockholders; and (vi) make other recommendations to the Board regarding affairs relating to the directors of the Company, including director compensation.

The policy of the Committee, in discharging these obligations, shall be to promote best corporate governance practices, ensure the Board is comprised of only highly qualified directors, and foster an open avenue of communication between the Committee and management of the Company.

COMPOSITION

The Committee shall consist of at least two members of the Board. No Committee member shall be an employee of the Company and each member shall be an independent director as determined by the Board, in accordance with the applicable independence requirements of The Nasdaq Stock Market ("Nasdaq"), when and as required by Nasdaq. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee's chairperson (the "Chair") shall be designated by the Board or, if it does not do so, the Committee members shall elect a Chair by vote of a majority of the full Committee. The Chair (or in his or her absence, a member designated by the Chair) shall preside at all meetings of the Committee.

MEETINGS AND MINUTES

The Committee shall hold such regular or special meetings as its members deem necessary or appropriate, but in no event less than annually. The presence in person or by telephone of a majority of the Committee's members shall constitute a quorum for any meeting of the Committee. All actions of the Committee will require (i) the vote of a majority of the members present at a meeting of the Committee at which a quorum is present or (ii) unanimous written consent of the members of the Committee then serving. Minutes of each meeting will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Chair of the Committee will report to the Board from time to time or whenever so requested by the Board.

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## AUTHORITY

The Committee shall have authority to retain and determine compensation for, at the expense of the Company, special legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties, including executive search firms to help identify director candidates. The Committee shall also have authority to pay, at the expense of the Company, ordinary administrative expenses that, as determined by the Committee, are necessary or appropriate in carrying out its duties. Each member of the Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have authority to require that any of the Company's personnel, counsel, accountants (including the Company's independent auditors) or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special outside legal, accounting or other advisors or consultants. The approval of this charter by the Board shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

## OPERATING PRINCIPLES AND PROCESSES

In fulfilling its function and responsibilities, the Committee should give due consideration to the following operating principles and processes:

1. Communication. Regular and meaningful contact throughout the year with the Board, committee chairpersons, members of senior management and independent professional advisors to the Board and its various committees, as applicable, is viewed as important for strengthening the Committee's knowledge of relevant current and prospective corporate governance issues.
2. Committee Education/Orientation. Developing with management and participating in a process for systematic review of important corporate governance issues and trends in corporate governance practices that could potentially impact the Company will enhance the effectiveness of the Committee.

## RESPONSIBILITIES

The operation of the Committee will be subject to the provisions of the Bylaws of the Company and the Colorado General Corporation Law, each as in effect from time to time. The Committee will have the full power and authority to carry out the following primary responsibilities or to delegate such power and authority to one or more subcommittees of the Committee:

1. Director Nominations. The Committee shall have the responsibility of identifying, reviewing and evaluating candidates to serve on the Board, including consideration of any potential conflicts of interest as well as applicable independence and experience requirements. The Committee shall have primary responsibility for determining the minimum qualifications for service on the Board and the right to modify the qualifications from time to time. The Committee shall also have the primary responsibility for reviewing, evaluating and considering the recommendation for nomination of incumbent directors for reelection to the Board, as well as monitoring the size of the Board. The Committee shall also select or recommend to the Board for selection candidates to the Board to serve as nominees for director for the annual meeting of stockholders. The Committee shall also have the power and authority to consider recommendations for Board nominees and proposals submitted by the Company's stockholders and to establish any policies, requirements, criteria and procedures, including policies and procedures to facilitate stockholder communications with the Board, to recommend to the Board appropriate action on any such proposal or recommendation and to make any disclosures required by applicable law in the course of exercising its authority.

2. Board and Director Assessment. The Committee shall periodically review, discuss and assess the performance of the Board, including Board committees, seeking input from senior management, the full Board and others. The assessment shall include evaluation of the Board's contribution as a whole and effectiveness in serving the best interests of the Company and its stockholders, specific areas in which the Board and/or management believe contributions could be improved, and overall Board composition and makeup, including the reelection of current Board members. The factors to be considered shall include whether the directors, both individually and collectively, can and do provide the integrity, experience, judgment, commitment (including having sufficient time to devote to the Company and level of participation), skills, diversity and expertise appropriate for the Company. In assessing the directors, both individually and collectively, the Committee may consider the current needs of the Board and the Company to maintain a balance of knowledge, experience and capability in various areas. The Committee shall also consider and assess the independence of directors, including whether a majority of the Board continue to be independent from management in both fact and appearance, as well as within the meaning prescribed by Nasdaq. The results of these reviews shall be provided to the Board for further discussion as appropriate.
3. Board Committee Nominations. The Committee, after due consideration of the interests, independence and experience of the individual directors and the independence and experience requirements of Nasdaq, the rules and regulations of the Securities and Exchange Commission and applicable law, shall evaluate the performance of the members of the committees of the Board, review the composition of such committees and recommend to the entire Board annually the Chair and membership of each such committee.
4. Board Meeting Procedures. The Committee shall assist the chairperson of the Board or lead director in developing effective Board meeting practices and procedures.
5. Continuing Education. The Committee shall consider the need and, if necessary, develop and institute a plan or program for the continuing education of directors.



6. Corporate Governance Principles. The Committee shall develop, if and when appropriate, a set of corporate governance principles to be applicable to the Company, shall periodically review and assess these principles and their application, and shall recommend any changes deemed appropriate to the Board for its consideration.
7. Procedures for Information Dissemination. The Committee shall oversee and review the processes and procedures used by the Company to provide information to the Board and its committees. The Committee should consider, among other factors, the reporting channels through which the Board and its committees receive information and the level of access to outside advisors where necessary or appropriate, as well as the procedures for providing accurate, relevant and appropriately detailed information to the Board and its committees on a timely basis.
8. Non-Employee Director Compensation. The Committee shall assist the members of the Compensation Committee of the Board or the Board, as requested, in determining the compensation paid to non-employee directors for their service on the Board and its committees and recommend any changes considered appropriate to the full Board for its approval.
9. Management Succession. The Committee shall periodically review with the Chief Executive Officer of the Company the plans for succession to the offices of the Company's Chief Executive Officer and other key executive officers and make recommendations to the Board with respect to the selection of appropriate individuals to succeed to these positions.
10. Certificate of Incorporation, Bylaws, and Committee Charters. The Committee shall review and assess the adequacy of the Company's Certificate of Incorporation and Bylaws and the charters of any committee of the Board (the "Governing Documents") periodically in order to ensure compliance with any principles of corporate governance developed by the Committee and recommend to the Board for its consideration any necessary modifications to the Governing Documents.
11. Annual Evaluation and Charter Review. The Committee shall review, discuss and assess its own performance at least annually. The Committee shall also review and assess the adequacy of this charter at least annually, and shall recommend any proposed changes to the Board for its consideration and approval.