

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under the Securities Exchange Act of 1934

For Quarter Ended: September 30, 2017

Commission File Number: 333-207889

GROWGENERATION CORPORATION
(Exact name of small business issuer as specified in its charter)

Colorado

(State of other jurisdiction
of incorporation)

46-5008129

(IRS Employer
ID No.)

1000 West Mississippi Avenue
Denver, CO 80223
(Address of principal executive offices)

(800)935-8420
(Issuer's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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"/>
(Do not check if a smaller reporting company)		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

As of November 8, 2017, there were 16,438,521 shares of the registrant's common stock issued and outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GROWGENERATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	September 30, 2017 Unaudited	December 31, 2016
ASSETS		
Current assets:		
Cash	\$ 1,905,477	\$ 606,644
Accounts receivable, net of allowance for doubtful accounts of \$47,829 at September 30, 2017 and December 31, 2016	683,795	391,235
Inventory	5,023,727	2,574,438
Prepaid expenses and other current assets	607,450	35,256
Total current assets	<u>8,220,449</u>	<u>3,607,573</u>
Property and equipment, net	1,136,351	549,854
Intangible assets, net	25,337	-
Goodwill	523,000	243,000
Other assets	93,565	42,526
TOTAL ASSETS	<u>\$ 9,998,702</u>	<u>\$ 4,442,953</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,318,787	\$ 643,793
Payroll and payroll tax liabilities	132,249	77,068
Customer deposits	59,600	51,672
Sales tax payable	95,385	46,942
Current portion of long term debt	54,112	23,443
Total current liabilities	<u>1,660,133</u>	<u>842,918</u>
Long term debt, net of current portion	89,639	41,726
Total liabilities	<u>1,749,772</u>	<u>884,644</u>
Commitments and contingencies		
Stockholders' Equity:		
Common stock; \$.001 par value; 100,000,000 shares authorized; 16,088,621 and 11,742,834 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	16,088	11,743
Additional paid-in capital	10,467,090	4,696,221
Accumulated deficit	(2,234,248)	(1,149,655)
Total stockholders' equity	<u>8,248,930</u>	<u>3,558,309</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 9,998,702</u>	<u>\$ 4,442,953</u>

See Notes to the Unaudited Consolidated Financial Statements.

GROWGENERATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Month Ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Sales	\$ 4,028,170	\$ 2,169,129	\$ 10,722,738	\$ 5,617,726
Cost of sales	<u>2,912,328</u>	<u>1,560,359</u>	<u>7,775,718</u>	<u>3,947,352</u>
Gross profit	1,115,842	608,770	2,947,020	1,670,374
Operating expenses:				
Store operations	800,861	372,317	2,098,201	1,057,447
General and administrative	237,884	98,731	644,708	282,604
Share based compensation	242,984	-	645,392	184,333
Depreciation and amortization	22,987	17,158	63,035	38,181
Salaries and related expenses	<u>269,215</u>	<u>108,336</u>	<u>574,158</u>	<u>314,843</u>
Total operating expenses	1,573,931	596,542	4,025,494	1,877,408
Income (loss) from operations	(458,089)	12,228	(1,078,474)	(207,034)
Other income (expense):				
Other income	621	-	1,062	2
Other expense	-	-	-	(1,600)
Interest expense	<u>(3,419)</u>	<u>(1,384)</u>	<u>(7,181)</u>	<u>(3,050)</u>
Total non-operating expense, net	(2,798)	(1,384)	(6,119)	(4,648)
Net income (loss)	<u>\$ (460,887)</u>	<u>\$ 10,844</u>	<u>\$ (1,084,593)</u>	<u>\$ (211,682)</u>
Net income (loss) per shares, basic and diluted	<u>\$ (.03)</u>	<u>\$ *</u>	<u>\$ (.08)</u>	<u>\$ (.02)</u>
Weighted average shares outstanding, basic and diluted	<u>14,819,742</u>	<u>10,584,262</u>	<u>13,857,393</u>	<u>10,584,262</u>

* Less than \$.01 per share

See Notes to the Unaudited Consolidated Financial Statements.

GROWGENERATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (1,084,593)	\$ (211,682)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts receivable	-	3,688
Depreciation and amortization	63,035	38,181
Commission, non-cash	-	35,000
Stock-based compensation expense	645,391	184,333
Inventory valuation reserve	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(292,560)	(331,157)
Inventory	(2,449,289)	(1,076,310)
Prepaid expenses and other assets	(259,209)	(1,930)
Increase (decrease) in:		
Accounts payable	674,994	320,335
Payroll and payroll tax liabilities	55,181	13,607
Customer deposits	7,928	8,432
Sales tax payable	48,443	25,059
Net cash used in operating activities	(2,590,679)	(992,444)
Cash flows from investing activities:		
Purchase of furniture and equipment	(563,724)	(183,059)
Purchase of intangibles	(306,177)	-
Net cash used in investing activities	(869,901)	(183,059)
Cash flows from financing activities:		
Principal payments on long term debt	(36,752)	(10,940)
Proceeds from the sale of common stock and exercise of warrants, net of expenses	4,796,165	998,500
Net cash provided by financing activities	4,759,413	987,560
Net increase (decrease) in cash	1,298,833	(187,943)
Cash at the beginning of period	606,644	699,417
Cash at the end of period	\$ 1,905,477	\$ 511,474
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 7,181	\$ 3,050
Common stock and warrants issued for prepaid services	\$ 416,886	-
Acquisition of vehicles with debt financing	\$ 84,968	\$ 57,324
Insurance premium financing	\$ 30,366	-
Taxes paid	-	\$ -

See Notes to the Unaudited Consolidated Financial Statements.

GrowGeneration Corporation and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
September 30, 2017

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.

The Company is engaged in the business of owning and operating retail hydroponic stores through its wholly owned subsidiaries, GrowGeneration Pueblo Corp, GrowGeneration California Corp, GrowGeneration Nevada Corp, GrowGeneration Washington Corp, and GrowGeneration Management Corp and GGen Distribution Corp. The Company commenced operation with the purchase of four retail hydroponic stores in Pueblo and Canon City, Colorado on May 30, 2014. The Company currently owns and operates a total of 14 stores and is actively engaged in seeking to acquire and open additional hydroponic retail stores.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company's financial statements are prepared on the accrual method of accounting. The accounting and reporting policies of the Company conform to generally accepted accounting principles (GAAP). The consolidated financial statements of the Company included the accounts of GrowGeneration Pueblo Corp, GrowGeneration California Corp, GrowGeneration Nevada Corp, GrowGeneration Washington Corp, GrowGeneration Management Corp and GGen Distribution Corp. All material intercompany accounts, balances and transactions have been eliminated in consolidation.

The various products sold support each other and are interrelated. 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 28 for segment reporting.

Basis of Presentation - Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all of the normal recurring adjustments necessary to present fairly the financial position and results of operations as of and for the periods presented. The interim results are not necessarily indicative of the results to be expected for the full year or any future period.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company believes that the disclosures are adequate to make the interim information presented not misleading. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K filed on March 31, 2017 for the years ended December 31, 2016 and 2015.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

Management uses estimates and assumptions in preparing these 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 financial statements, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Taxes

The Company accounts for income taxes in accordance with FASB ACS 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 related 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 ACS 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 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 2016, 2015 and 2014 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 accrual for uncertain tax positions as of September 30, 2017. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

3. RECENTLY ISSUED OR ADOPTED ACCOUNTING STANDARDS

In May 2014, the FASB issued guidance creating the ASC Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance was effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. On July 9, 2015, the FASB approved a one-year delay of the effective date. The Company will now adopt the new provisions of this accounting standard at the beginning of fiscal year 2018.

In July 2015, the FASB issued Accounting Standards Update ("ASU") 2015-11, "Simplifying the Measurement of Inventory." Under this ASU, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016. This update was adopted by the Company in the first quarter of fiscal year 2017. There was no material impact on the Company's consolidated financial statements as a result of the adoption of this accounting standard.

3. RECENTLY ISSUED OR ADOPTED ACCOUNTING STANDARDS, continued

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes". The new guidance eliminates the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts. The amendments will require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The updated guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those annual periods. The adoption of this standard did not have a material impact on the consolidated financial statements.

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 will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted for certain provisions. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt certain provisions early.

In February 2016, the FASB issued ASU 2016-02, which introduces a lessee model that brings most leases on the balance sheet and, among other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 is not effective for us until January 1, 2019, with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends ASC Topic 718, Compensation – Stock Compensation. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We adopted this guidance effective January 2, 2017, and the adoption did not have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 simplifying the accounting for goodwill impairment for all entities. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (Step 2 of the current two-step goodwill impairment test under ASC 350). Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 of the current two-step goodwill impairment test). The ASU is effective prospectively for reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We are currently evaluating the impact of the new guidance on our goodwill impairment testing process and consolidated financial statements.

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 will be effective for the Company as of January 1, 2019. Early adoption is permitted. We do not believe the adoption of this new standard will have any impact on our consolidated financial statements and footnote disclosures.

4. PROPERTY AND EQUIPMENT

	September 30, 2017	December 31, 2016
Vehicles	\$ 239,825	\$ 102,014
Leasehold improvements	178,190	131,411
Furniture, fixtures and equipment	853,498	389,396
	1,271,513	622,821
(Accumulated depreciation)	(135,161)	(72,967)
Property and Equipment, net	\$ 1,136,351	\$ 549,854

Depreciation expense for the three months ended September 30, 2017 and 2016 was \$22,707 and \$17,158 respectively and for the nine months ended September 30, 2017 and 2016 was \$62,194 and \$38,181, respectively.

5. OTHER COMMITMENTS

On September 22, 2017 the Board of Directors approved new three-year employment agreements with its CEO and President. Compensation under each new employment agreement is \$175,000 annually with 10% increases on each January 1 during the term of the agreement. In addition, the CEO and President are eligible for bonus payment based on achieving certain revenue objective. The CEO and President will each be granted up to 300,000 options to purchase shares of common stock of the Company, of which 30,750 have been granted as of September 22, 2017.

In April and May 2017, the Company also entered into three-year employment agreements with its COO and CFO, respectively. These agreements require payment of monthly wages and benefits.

6. LONG-TERM DEBT

	September 30, 2017	December 31, 2016
Long term debt is as follows:		
Chrysler Capital, interest ranging from 9.8% and 10.9% per annum, payable in monthly installments of \$1,889.59 beginning May 2017 through June 2022, secured by vehicles with a book value of \$128,800	\$ 83,565	\$ -
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	13,424	18,133
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	19,574	24,559
RMT Equipment, interest at 10.9% per annum, payable in monthly installments of \$1,154.79 beginning June 2016 through October 2018, secured by delivery equipment with a book value of \$31,130	13,545	22,477
Note payable insurance premium financing, interest at 4.74% per annum, payable in 10 installments of \$3,441, due January 2018	13,642	-
	\$ 143,750	\$ 65,169
Less Current Maturities	(54,112)	(23,443)
Total Long-Term Debt	\$ 89,638	\$ 41,726

6. LONG-TERM DEBT, continued

Interest expense for the three months ended September 30, 2017 and 2016 was \$3,419 and \$1,384, respectively and for the nine months ended September 30, 2017 and 2016 was \$7,181 and \$3,050, respectively.

7. SHARE BASED PAYMENTS AND STOCK OPTIONS

The Company accounts for share-based payments through the measurement and recognition of compensation expense for share-based payment awards made to employees and directors of the Company, including stock options and restricted shares.

The following table presents share-based payment expense and new shares issued for the three and nine months ended September 30, 2017 and 2016.

	Three Months Ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Restricted shares issued	66,500	-	371,500	140,000
Shares based expense from issuance of common stock	\$ 117,040	\$ -	\$ 365,040	\$ 98,000
Shares based expense from issuance of common stock options	\$ 84,695	\$ -	\$ 162,103	\$ 86,333
Subtotal shares issued for services and options issued	\$ 201,735	\$ -	\$ 527,143	\$ 184,333
Warrants issued for services	41,249	-	118,249	-
Total non cash compensation	\$ 242,984	\$ -	\$ 645,392	\$ 184,333

On March 6, 2014, the Company's Board of Directors (the "Board") and majority stockholders approved the 2014 Equity Incentive Plan pursuant to which the Company may grant incentive and non-statutory options to employees, nonemployee members of the 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 the plan are made 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. However, no option shall have a term in excess of 5 years from the date of grant.

Options outstanding at September 30, 2017 are as follows:

Options	Shares	Weight - Average Exercise Price	Weighted - Average Remaining Contractual Term
Outstanding at December 31, 2016	1,880,000	\$ 0.62	2.27 years
Granted	296,500	\$ 1.82	
Exercised	-	-	
Forfeited or expired	(27,000)	-	
Outstanding at September 30, 2017	2,149,500	\$.77	1.92 years
Options vested at September 30, 2017	2,049,500	\$.72	

8. STOCK PURCHASE WARRANTS

During the nine months ended September 30, 2017, the Company granted 825,000 warrants to investors in a private placement and 100,000 warrants to an advisor pursuant to certain advisor agreement. These warrants are exercisable for a period of five years with an exercise price of \$2.75 and \$.70, respectively.

A summary of the status of the Company's outstanding stock warrants as of September 30, 2017 is as follows:

	<u>Warrants</u>	<u>Weighted - Average Exercise Price</u>
Outstanding December 31, 2016	3,885,729	\$ 0.70
Granted	2,475,000	2.65
Exercised	(2,149,287)	0.70
Forfeited	-	-
Outstanding September 30, 2017	<u>4,211,442</u>	<u>\$ 1.79</u>

9. STOCKHOLDERS' EQUITY

Common Stock

The Company's current Certificate of Incorporation authorizes the Company to issued 100,000,000 shares of common stock, par value \$0.001 per share. As of September 30, 2017, there were 16,088,621 shares of common stock outstanding.

2017 Equity Transactions

During the nine months ended September 30, 2017 the Company sold a total of 1,825,000 units, each consisting of one share of common stock and one warrant to purchase one share of common stock, for net proceeds after offering costs of \$3,291,565.

During the nine months ended September 30, 2017, warrants to purchase 2,149,287 shares of common stock were exercised resulting in proceeds to the Company of \$1,504,501.

During the nine months ended September 30, 2017, the Company issued 195,500 shares of common stock to employees and consultants valued at \$365,000.

During the nine months ended September 30, 2017, the Company issued 100,000 shares of common stock and 100,000 warrants for consulting services valued at \$77,000.

During the nine months ended September 30, 2017, the Company issued 80,000 shares of common stock and 150,000 warrants for prepaid consulting services valued at \$251,890.

10. EARNINGS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding plus the number of shares of common stock that would be issued assuming exercise or conversion of all potentially dilutive shares of common stock. Potentially dilutive securities are excluded from the calculation when their effect would be anti-dilutive. For all periods presented in the consolidated financial statements, all potentially dilutive securities have been excluded from the diluted share calculations as they were anti-dilutive as a result of the net losses incurred for the respective periods. Accordingly, basic shares equal diluted shares for all periods presented.

Potentially dilutive securities were comprised of the following:

	Nine months ended September 30,	
	2017	2016
Warrants	4,211,442	4,084,229
Options	2,149,500	1,872,000
	<u>6,370,942</u>	<u>5,956,229</u>

11. SUBSEQUENT EVENTS

The Company has evaluated events and transaction occurring subsequent to September 30, 2017 up to the date of this filing of these consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

On October 8, 2017, our Santa Rosa, CA store was forced to closed by local authorities due to evacuations caused by significant wildfires in the vicinity. The Company was able to gain access to the store on October 22, 2017 and we are in the process of evaluating the extent of damage to the store and its contents as a result of the fire. The Company is fully insured for both damage to the contents of the store as well as business interruption (loss of sales) as a result of the store being closed during this period. The store re-opened on October 26, 2017 and the long-term impact on sales, if any, is unknown at this time as we are still assessing the impact of the fire on our customers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 31, 2017. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the SEC. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements, particularly those identified with the words, "anticipates," "believes," "expects," "plans," "intends," "objectives," and similar expressions, are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements, except as required by law.

OVERVIEW

GrowGeneration's mission is to become one of the largest retail hydroponic and organic specialty gardening retail outlets in the industry. Today, GrowGeneration owns and operates a chain of fourteen (14) retail hydroponic/gardening stores, with nine (9) located in the state of Colorado, two (2) in the state of California, one (1) in the state of Washington and two (2) in the state of Nevada (one that opened subsequent to September 30, 2017). Our plan is to open and operate hydroponic/gardening stores throughout the United States.

Our stores sell thousands of products, such as organic nutrients and soils, advanced lighting technology, state of the art hydroponic and aquaponic equipment, and other products needed to grow indoors and outdoors. Our strategy is to target two distinct verticals; namely (i) commercial growers, and (ii) smaller growers who require a local store to fulfill their daily and weekly growing needs.

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 cannabis market (dispensaries, cultivators and caregivers), the home cannabis grower and to businesses and individuals who grow organically grown herbs and leafy green vegetables.

Sales at our stores have grown since we commenced our business in May 2014, as noted below. Our growth has been fueled by frequent and higher dollar transactions from commercial growers, individual home growers and gardeners who grow their own organic foods. We expect to continue to experience significant growth over the next few years, primarily from existing and new stores that we open or acquire. Our growth is likely to come from four distinct channels: establishing new stores in high-value markets, internal growth at existing stores, acquiring existing stores with strong customer bases and strong operating histories and the creation of a business to business e-commerce portal at www.GrowGeneration.com.

Our business commenced in May 2014 when we acquired the assets of Southern Colorado Garden Supply Corp. (d/b/a Pueblo Hydroponics), which owned and operated 4 retail stores. The acquisition was completed on May 29, 2014, through our wholly-owned subsidiary, GrowGeneration Pueblo Corp., a Colorado corporation. The purchase price was \$499,976, consisting of \$243,000 in goodwill and \$273,000 in inventory, \$35,000 in fixed assets, \$5,286 in accounts receivable and \$1,320 in prepaid expenses offset by \$57,275 in accounts payable and \$355 in customer deposits. From February 2015 to May 2017, the Company has acquired or opened 9 additional retail locations.

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2017 to September 30, 2016

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from year-to-year.

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	\$ Variance
Net revenue	\$ 4,028,170	\$ 2,169,129	\$ 1,859,041
Cost of goods sold	2,912,328	1,560,359	1,351,969
Gross profit	1,115,842	608,770	507,072
Operating expenses	1,573,931	596,542	977,389
Operating income (loss)	(458,089)	12,228	(470,317)
Other income (expense)	(2,798)	(1,384)	(1,414)
Net income (loss)	\$ (460,887)	\$ 10,844	\$ (471,731)

Revenue

Net revenue for the three months ended September 30, 2017 increased approximately \$1.9 million, or 86%, to approximately \$4.0 million, compared to approximately \$2.1 million for the three months ended September 30, 2016. The increase in revenues was not only due to an increase in same store sales, as noted below, but also due to the addition of 4 retail stores in 2017 for which there were no sales for the three months ended September 30, 2016. Sales in these 4 stores for the three months ended September 30, 2017 were approximately \$1.3 million compared to approximately \$0 for the three months ended September 30, 2016. The Company also had store closures in early 2017 that had sales of \$20,533 for the three months ended September 30, 2017 and \$109,630 for the three months ended September 30, 2016.

As noted above, the Company had the same 8 stores opened for the entire three months ended September 30, 2017 and 2016. These same stores generated \$2.7 million in sales for the three months ended September 30, 2017, compared to \$2.1 million in sales for the same period ended September 30, 2016, an increase of 31%.

	8 Same Stores		
	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Variance
Net revenue	\$ 2,705,837	\$ 2,059,499	\$ 646,338

Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2017 increased approximately \$1.4 million, or 87%, to \$2.9 million, as compared to \$1.6 million for the three months ended September 30, 2016. The increase in cost of goods sold was due to the 86% increase in sales comparing the quarter ended September 30, 2016 to 2017.

Gross profit was approximately \$1.1 million for the three months ended September 30, 2017, compared to approximately \$.61 million for the three months ended September 30, 2016, an increase of approximately \$507,000 or 83%. Gross profit as a percentage of sales was 27.7% for the three months ended September 30, 2017, compared to 28.1% for the three months ended September 30, 2016. The slight decrease in the gross profit percentage is due to the increase in the number of commercial accounts which have lower margins than the retail customer.

Operating Expenses

Operating expenses are comprised of 1) store operations, primarily payroll, rent and utilities, and corporate overhead. Store operating costs were \$800,861 for the three months ended September 30, 2017 and \$372,317 for the three months ended September 30, 2016, an increase of \$428,544 or 115%. The increase in store operating cost is due to 1) the addition of five locations that were not open in 2016 and 2) slight increase in staffing due to the 31% increase in same store sales. Store operating costs as a percentage of sales were 19.9% for the three months ended September 30, 2017 compared to 17.2% for the three months ended September 30, 2016. As previously noted, we opened five locations in 2017 that were not open at all in 2016 and as such store operating costs will be higher as the stores ramp up in sales which can take several months. Corporate overhead is comprised of general and administrative costs, share based compensation, depreciation and amortization and corporate salaries and related expenses and was \$773,070 for the three months ended September 30, 2017 compared to \$224,225 for the three months ended September 30, 2016. The increase in salaries and related expense from 2016 to 2017 was the increase in corporate staff to support operations including additional sales staff to increase our outside sales efforts. Corporate salaries and related costs as a percentage of sales were 6.7% for the three months ended September 30, 2017 and 5% for the three months ended September 30, 2016. General and administrative expenses, comprised mainly of advertising and promotions, travel & entertainment, professional fees and insurance, were \$237,884 for the three months ended September 30, 2017 and \$98,731 for the three months ended September 30, 2016 with a majority of the increase advertising and promotion and travel and entertainment. General and administrative costs as a percentage of revenue was 5.9% for the three months ended September 30, 2017, compared to 4.6% for the three months ended September 30, 2016. Corporate overhead includes non-cash expenses, consisting primarily of depreciation and share based compensation, which was approximately \$265,971 for the three months ended September 30, 2017, compared to approximately \$17,158 for the three months ended September 30, 2016. The increase in share based compensation is due to an increase in 1) non-cash compensation to consultants, 2) stock issued to employees and 3) the fair market value of options issued to employees. Corporate overhead was 19% of revenue for the three months ended September 30, 2017 and 10% for the three months ended September 30, 2016, primarily due to the increase in non-cash share based compensation.

Net Income (Loss)

The net loss for the three months ended September 30, 2017 was \$460,887, compared to net income of \$10,844 for the three months ended September 30, 2016. The increase in the net loss was primarily due to 1) an increase in non-cash shares-based compensation of \$242,984, 2) the opening of our operations in Denver South, Boulder, Las Vegas, and San Bernardino, CA, 3) costs related to the Seattle Hydro purchase and pre-opening store costs, and 4) higher salaries and related expenses due to an increase in corporate support staff and sales staff dedicated to outside sales.

Comparison of the nine months ended September 30, 2017 to September 30, 2016

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from year-to-year.

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	\$ Variance
Net revenue	\$ 10,722,738	\$ 5,617,726	\$ 5,105,012
Cost of goods sold	7,775,718	3,947,352	3,828,366
Gross profit	2,947,020	1,670,374	1,276,646
Operating expenses	4,025,494	1,877,408	2,148,086
Operating income (loss)	(1,078,474)	(207,034)	(871,440)
Other income (expense)	(6,119)	(4,648)	(1,471)
Net income (loss)	\$ (1,084,593)	\$ (211,682)	\$ (872,911)

Revenue

Net revenue for the nine months ended September 30, 2017 were approximately \$10.7 million compared to approximately \$5.6 million for the nine months ended September 30, 2016, an increase of \$5.1 million, or 91%. The increase in revenues was not only due to an increase in same store sales, as noted below, but also due to the addition of 4 retail stores in 2017 for which there were no sales for the nine months ended September 30, 2016, and the addition of one retail store during the quarter ended September 30, 2016 for which sales only occurred for a portion of the nine months ended September 30, 2016. Sales in these stores for the nine months ended September 30, 2017 were approximately \$3.7 million compared to approximately \$479,591 for the nine months ended September 30, 2016. The Company also had store closures in early 2017 that had sales of approximately \$117,777 for the nine months ended September 30, 2017 and approximately \$339,695 for the nine months ended September 30, 2016.

As noted above, the Company had the same 7 stores opened for the entire nine months ended September 30, 2017 and 2016. These same stores generated \$6.8 million in sales for the nine months ended September 30, 2017, compared to \$4.8 million in sales for the same period ended September 30, 2016, an increase of 43%.

	7 Same Stores		
	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Variance
Net revenue	\$ 6,845,762	\$ 4,798,440	\$ 2,047,322

Cost of Goods Sold

Cost of goods sold for the nine months ended September 30, 2017 increased \$3.8 million, to \$7.8 million an increase of 97%, as compared to \$3.9 million for the nine months ended September 30, 2016. The increase in cost of goods sold was primarily due to the 91% increase in sales comparing the nine months ended September 30, 2016 to 2017.

Gross profit was \$2.9 million for the nine months ended September 30, 2017, as compared to \$1.7 million for the nine months ended September 30, 2016, an increase of approximately \$1.3 million or 76%. Gross profit as a percentage of sales was 27.4% for the nine months ended September 30, 2017, compared to 29.7% for the nine months ended September 30, 2016. The decrease in the gross profit percentage is due to the opening of a new store in Seattle in mid-May 2017 and the initial product discounting to attract new customers to that location, as well the increase in the number of commercial accounts which have lower margins than the retail customer.

Operating Expenses

Operating expenses are comprised of 1) store operations, primarily payroll, rent and utilities, and corporate overhead. Store operating costs were approximately \$2.1 million for the nine months ended September 30, 2017 and approximately \$1.1 for the nine months ended September 30, 2016, an increase of approximately \$1 million or 98%. The increase in store operating cost was due to addition of five locations that were not open in 2016. Store operating costs as a percentage of sales were 19.6% for the nine months ended September 30, 2017 compared to 18.9% for the nine months ended September 30, 2016. A previously noted above, we opened five locations in 2017 that were not open at all in 2016 and as such store operating costs will be higher as the stores ramp up in sales which can take several months. Corporate overhead is comprised of, share based compensation, depreciation and amortization, general and administrative costs and corporate salaries and related expenses and were approximately \$1.9 for the nine months ended September 30, 2017 compared to approximately \$.8 million for the nine months ended September 30, 2016. The increase in salaries and related expense from 2016 to 2017 was due to the increase in corporate staff, primarily, accounting and finance, inventory management and sales, to support operations and to increase outside sales. Corporate salaries as a percentage of sales were 5.3% for the nine months ended September 30, 2017 and 5.6% for the nine months ended September 30, 2016. The slight reduction of this percentage is because corporate staff costs do not rise directly commensurate with the increase in revenues. General and administrative expenses, comprised mainly of advertising and promotions, travel & entertainment, professional fees and insurance, were approximately \$644,700 for the nine months ended September 30, 2017 and approximately \$282,600 for the nine months ended September 30, 2016 with a majority of the increase in advertising and promotion and travel and entertainment. General and administrative costs as a percentage of revenue was 6% for the nine months ended September 30, 2017 compared to 5% for the nine months ended September 30, 2016. The slight increase in the percentage comparing 2016 to 2017 was primarily due to an increase in advertising and promotion expenses from approximately \$34,400 in 2016 to approximately \$180,500 for 2017, which was mainly due to new store promotional costs in 2017 and increase in professional fees from \$35,000 for the nine months ended September 30 2016 to \$243,400 for the nine months ended September 30, 2017. Corporate overhead includes non-cash expenses, consisting primarily of depreciation and share based compensation, which was approximately \$645,400 for the nine months ended September 30, 2017, compared to approximately \$184,300 for the nine months ended September 30, 2016. Corporate overhead cost were 18% of revenue for the nine months ended September 30, 2017 compare to 15% for the nine months ended September 30 2016, primarily because of the increase in non-cash share based compensation.

Net Income (Loss)

The net loss for the nine months ended September 30, 2017 was \$1,084,593 compared to \$211,682 for the nine months ended September 30, 2016, an increase in the net loss of \$872,911. The increase in the net loss was primarily due to 1) an increase in non-cash shares-based compensation of approximately \$461,000, 2) the opening of our operations in Denver South, Las Vegas, Boulder and San Bernardino, CA, 3) costs related to the Seattle Hydro purchase and pre-opening store costs, and 4), a slight decrease in the gross profit percentage as noted above.

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2017 was \$2,590,679 compared to \$992,444 for the nine months ended September 30, 2016. Cash provided by operating activities is driven by our net 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 and share based compensation expense. Non-cash adjustment totaled \$708,426 and \$261,202 for the nine months ended September 30, 2017 and 2016, respectively, so non-cash adjustments had a greater impact on net cash provided by operating activities for the nine months ended September 30, 2017 than the same period in 2016. The net cash from operating activities was primarily related to the increase in the net loss of \$872,911, an increase in inventory of \$2,449,289, an increase in accounts receivable of \$292,560, an increase in prepaids, primarily vendor prepaids, of \$259,209, offset by an increase in accounts payable and other current liabilities of \$786,546. The increase in inventory and a corresponding increase in trade payables was attributable to both an increase in revenues and an increase in the number of operating stores between December 31, 2016 and September 30, 2017.

Net cash used in operating activities for the nine months ended September 30, 2016 was \$992,444. This amount was primarily related to increases of inventory of \$1,076,310, accounts receivable of \$331,157, offset by an increase in accounts payable and other current liabilities of \$367,433. The increase in inventory and a corresponding increase in trade payables was attributable to both an increase in revenues and an increase in the number of operating stores between December 31, 2015 and September 30, 2016.

Net cash used in investing activities was \$869,901 for the nine months ended September 30, 2017 and \$183,059 for the nine months ended September 30, 2016. The increase in 2017 was due to acquired intangibles related to the Seattle Hydro purchase in May 2017 and the purchase of vehicles and store equipment to support store operations. Between January 31, 2017 and September 30, 2017, the Company opened 4 new locations.

Net cash provided by financing activities for the nine months ended September 30, 2017 was approximately \$4.8 million and represented proceeds from the sale of common stock, net of offering costs, of \$3.3 million and proceeds from the exercise of warrants of approximately \$1.5 million. Net cash provided by financing activities for the nine months ended September 30, 2016 was \$987,560 and was primarily from proceeds from the sales of common stock, net of offering costs of \$998,500.

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):

	Three Months Ended	
	9/30/2017	9/30/2016
Net income (loss)	\$ (460,887)	\$ 10,844
Interest	3,419	1,384
Depreciation and Amortization	22,987	17,158
EBITDA	(434,481)	29,386
Share based compensation (option comp, warrant comp, stock issued for services)	242,984	-
Adjusted EBITDA	\$ (191,497)	\$ 29,386
	Nine months ended	
	9/30/2017	9/30/2016
Net loss	\$ (1,084,593)	\$ (211,682)
Interest	7,181	3,050
Depreciation and Amortization	63,035	38,181
EBITDA	(1,014,377)	(170,451)
Share based compensation (option comp, warrant comp, stock issued for services)	645,392	184,333
Adjusted EBITDA	\$ (368,985)	\$ 13,882

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2017, we had working capital of approximately \$6.6 million, compared to working capital of approximately \$2.8 million as of December 31, 2016, an increase of approximately \$3.8 million. The increase in working capital from December 31, 2016 to September 30, 2017 was due primarily to the proceeds from the sale of common stock and exercise of warrants. At September 30, 2017, we had cash and cash equivalents of approximately \$1.9 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.

Financing Activities

2017 Private Placements

On March 10, 2017, the Company closed 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 15, 2017, the Company closed a private placement of a total of 1,000,000 units of its securities 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 a total compensation for its services of (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 the 250,000 warrants issued to Merida Capital Partners, LP) when they are exercised.

Critical Accounting Policies, Judgments and Estimates

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make a number of estimates and assumptions related to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets; valuation allowances and reserves for receivables, inventory and deferred income taxes; revenue recognition related to contracts accounted for under the percentage of completion method; share-based compensation; and loss contingencies, including those related to litigation. Actual results could differ from those estimates.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are recorded at the invoiced amounts less an allowance for doubtful accounts and do not bear interest. The allowance for doubtful accounts is based on our estimate of the amount of probable credit losses in our accounts receivable. We determine the allowance for doubtful accounts based upon an aging of accounts receivable, historical experience and management judgment. Accounts receivable balances are reviewed individually for collectability, and balances are charged off against the allowance when we determine that the potential for recovery is remote. An allowance for doubtful accounts of approximately \$47,800 has been reserved as of September 30, 2017 and December 31, 2016.

We are exposed to credit risk in the normal course of business, primarily related to accounts receivable. We are affected by general economic conditions in the United States. To limit credit risk, management periodically reviews and evaluates the financial condition of its customers and maintains an allowance for doubtful accounts. As of September 30, 2017, and December 31, 2016, we do not believe that we have significant credit risk.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value due to their short-term maturities. We believe that the carrying value of notes payable with third parties, including their current portion, approximate their fair value, as those instruments carry market interest rates based on our current financial condition and liquidity. We believe the amounts due to related parties also approximate their fair value, as their carried interest rates are consistent with those of our notes payable with third parties.

Long-lived Assets

We evaluate the carrying value of long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset is considered to be impaired when the anticipated undiscounted future cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows. No impairment was determined as of September 30, 2017 and December 31, 2016.

Revenue Recognition

Revenue on product sales is recognized upon delivery or shipment. Customer deposits and lay away sales are not reported as revenue until final payment is received and the merchandise has been delivered.

Stock-based Compensation

We account for stock-based awards at fair value on the date of grant, and recognize compensation over the service period that they are expected to vest. We estimate the fair value of stock options and stock purchase warrants using the Black-Scholes option pricing model. The estimated value of the portion of a stock-based award that is ultimately expected to vest, taking into consideration estimated forfeitures, is recognized as expense over the requisite service periods. The estimate of stock awards that will ultimately vest requires judgment, and to the extent that actual forfeitures differ from estimated forfeitures, such differences are accounted for as a cumulative adjustment to compensation expenses and recorded in the period that estimates are revised.

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 OR ADOPTED ACCOUNTING STANDARDS

In May 2014, the FASB issued guidance creating the ASC Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance was effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. On July 9, 2015, the FASB approved a one-year delay of the effective date. The Company will now adopt the new provisions of this accounting standard at the beginning of fiscal year 2018.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory.” Under this ASU, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016. This update was adopted by the Company in the first quarter of fiscal year 2017. There was no material impact on the Company's consolidated financial statements as a result of the adoption of this accounting standard.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”. The new guidance eliminates the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts. The amendments will require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The updated guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those annual periods. The adoption of this standard did not have a material impact on the consolidated financial statements.

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 will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted for certain provisions. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt certain provisions early.

In February 2016, the FASB issued ASU 2016-02, which introduces a lessee model that brings most leases on the balance sheet and, among other changes, eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 is not effective for us until January 1, 2019, with early adoption permitted. We are continuing to evaluate this guidance and the impact to us, as both lessor and lessee, on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends ASC Topic 718, Compensation – Stock Compensation. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We adopted this guidance effective January 2, 2017, and the adoption did not have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 simplifying the accounting for goodwill impairment for all entities. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (Step 2 of the current two-step goodwill impairment test under ASC 350). Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 of the current two-step goodwill impairment test). The ASU is effective prospectively for reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We are currently evaluating the impact of the new guidance on our goodwill impairment testing process and consolidated financial statements.

RECENTLY ISSUED OR ADOPTED ACCOUNTING STANDARDS, continued

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 will be effective for the Company as of January 1, 2019. Early adoption is permitted. We do not believe the adoption of this new standard will have any impact on our consolidated financial statements and footnote disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Management maintains "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2017.

Based on that evaluation, management concluded, that our disclosure controls and procedures were effective as of September 30, 2017 in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

As of the end of the period covered by this report, there have been no changes in the internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting subsequent to the date of management's last evaluation.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included and filed with this report.

Exhibit	Exhibit Description
10.1	Employment Agreement with Darren Lampert dated September 22, 2017 (filed herewith)
10.2	Employment Agreement with Michael Salaman dated September 22, 2017 (filed herewith)
31.1	Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial and accounting officer
32.1	Section 1350 certification of Chief Executive Officer
32.2	Section 1350 certification of principal financial and accounting officer
101	Interactive Data Files (filed herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Definition

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on November 8, 2017.

GrowGeneration Corporation

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

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

FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the “**Agreement**”) dated as of September 22, 2017 (the “**Effective Date**”), is by and between GrowGeneration, Corp., a Colorado Corporation with offices at 503 North Main Street, Suite 740, Pueblo, Colorado 81003 (the “**Company**”) and Darren Lampert, an individual residing at 24 Orchard Drive, Armonk, New York 10504 (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:

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 Chairman of the Board and Chief Executive Officer of the Company. The Executive shall report directly to the Board of Directors (the “**Board**”) 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 substantially 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.

(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. Each of the Executive and the Company at his or its sole discretion and without any reason, may elect not to renew this Agreement at the end of the initial term or any successive term.

(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.

(a) **Salary.** 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 \$175,000 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 each January 1 during the term of this Agreement by an amount equal to 10% of the Executive’s salary for the prior fiscal year.

(b) Bonus. The Executive shall receive a cash bonus with respect to each fiscal year of the Company during the Term, commencing with the year ending December 31, 2017, in an amount equal to one-half of one percent multiplied by the difference between revenue in each respective fiscal year less \$7,980,471 (which was the gross revenue for fiscal 2016). By way of example, if 2018 revenue is \$20,000,000, Executive would receive a bonus in that year of \$60,098).

(c) Grant of Options. The Company agrees to grant to the Executive options to acquire an aggregate number of 300,000 shares of restricted stock of the Company over the Term of this Agreement, with a three-year vesting schedule pursuant to that Option Agreement dated September ____, 2017 (the "**Option Agreement**") between the Executive and the Company. Options to purchase 30,750 shares shall be deemed granted and vested as of the date of this Agreement. The grant and vesting of the remaining options to purchase 269,250 shares shall be subject to the approvals of the Board of Directors and shareholders of a new incentive plan or an amended incentive plan with an increased number of authorized shares to be issued thereunder. The second grant and vesting of options to purchase 69,250 shares will be on the date of approval by both the Board of Directors and shareholders. The third grant and vesting of options to purchase 100,000 shares shall be on the second anniversary of this Agreement; provided, however, if the Board of Directors and shareholders have not both approved such grant within one year from the date of this Agreement, the date of grant and vesting of such options to purchase 100,000 shares shall be the date of approval by both the Board of Directors and shareholders. The fourth grant and vesting of options to purchase 100,000 shares shall be on the third anniversary of this Agreement on the basis of approval from both the Board of Directors and shareholders prior to such date. 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 on the day of vesting. The disposition, transfer or sale of the Options granted in the Option Agreement is subject to the terms and conditions of the Option Agreement and the Company's appropriate equity incentive plan(s).

(d) Expenses. The Company agrees promptly to reimburse the Executive for all reasonable and necessary business expenses, including without limitation, telephone and facsimile charges 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; (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(f) 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).

(b) Death. In the event of the death of the Executive during the Employment Term, the Employment Term hereunder shall terminate on the date of death of the Executive; provided, however, that the Company shall (i) pay to the estate of the deceased Executive any unpaid Salary through the Executive's date of death; (ii) pay to the estate of the deceased Executive his accrued but unpaid incentive compensation if any, for any bonus period ending on or before the Executive's date of death; and (iii) pay to the estate of the deceased Executive (based upon the period ending on the date of death) a pro rata portion of any incentive compensation, if any for the bonus period in which termination occurs. The Company shall have no further liability hereunder (other than for (x) reimbursement for reasonable business expenses incurred prior to the date of the Executive's death and other reimbursable expenses due under Section 3(f) through the date of Executive's death, and (y) payment of compensation for unused vacation days that have accumulated during the calendar year 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. If the Company terminates this Agreement, the Executive shall be entitled to receive all salary and benefits during the remaining term of this Agreement as if the Agreement had not been terminated.

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 from time to time in effect, including, without limitation, medical insurance, disability and life insurance, participation in retirement, savings, subject to, and on a basis consistent with, the terms, conditions, and overall administration of such plans and policies, on terms no less favorable, in each instance, than those made available to other senior executives and key management employees 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 three (3) weeks of paid vacation for each twelve (12) months of employment.

7. INSURANCE. The Company shall have the right to apply for and take out, in the Company's own name or otherwise, at the Company's expense, life, health, accident, or other insurance covering the Executive, in any amount the Company deems necessary to protect the Company's interest hereunder, and the Executive shall have no right, title or interest in or to any such insurance or the proceeds thereof. The Executive shall assist the Company in obtaining such insurance by submitting to usual and customary medical and other examinations and by signing such applications, statements and other instruments as may be reasonably required by any insurance company in connection with obtaining such insurance coverage.

8. DEDUCTIONS AND WITHHOLDINGS. All 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 law.

9. 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.

10. 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.

(b) 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.

(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 and a period of one (1) year 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 known to the Executive prior to the date of this Agreement.

(f) No Limitation. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts, confidentiality, trade secrets, fiduciary duty and obligations where such laws provide the Company with any broader, further or other remedy or protection than those provided herein.

(g) 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).

(h) 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.

(i) 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.

11. 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 telecopier 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.

12. 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 12(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.

(b) **Governing Law; Jurisdiction.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF 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.

(c) Severability. Each term and provision of this Agreement is severable; the invalidity, illegality or unenforceability or modification of any term or provision of this Agreement shall not affect the validity, legality and enforceability of the other terms and provisions of this Agreement, which shall remain in full force and effect. Since it is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought, should any particular provision of this Agreement be deemed invalid, illegal or unenforceable, the same shall be deemed reformed and amended to delete that portion that is adjudicated to be invalid, illegal or unenforceable and the deletion shall apply only with respect to the operation of such provision and to the extent of such provision and, to the extent that a provision of this Agreement would be deemed unenforceable by virtue of its scope, but may be made enforceable by limitation thereon, each party agrees that this Agreement shall be reformed and amended so that the same shall be enforceable to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

(d) 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.

(e) 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.

(f) 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.

(g) Headings; Counterparts. The headings contained in this Agreement are inserted for reference purposes only and shall not in any way affect the meaning, construction or interpretation of this Agreement. This Agreement may be executed in two (2) counterparts, each of which, when executed, shall be deemed to be an original, but both of which, when taken together, shall constitute one and the same document.

(h) Further Assurances. The Executive shall execute and/or cause to be delivered to the Company such instruments and other documents, and shall take such other actions, as the Company may reasonably request at any time for the purpose of carrying out or evidencing any of the provisions of this Agreement.

(i) 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.

(j) 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: _____
Name: Michael Salaman
Title: President

EXECUTIVE

By: _____
Name: Darren Lampert
Title: Chief Executive Officer

FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the “**Agreement**”) dated as of September 22, 2017 (the “**Effective Date**”), is by and between GrowGeneration, Corp., a Colorado Corporation with offices at 503 North Main Street, Suite 740, Pueblo, Colorado 81003 (the “**Company**”) and Michael Salaman, an individual residing at 825 Lafayette Road, Bryn Mawr, PA 19010 (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:

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 Board of Directors (the “**Board**”) 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 substantially 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.

(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. Each of the Executive and the Company at his or its sole discretion and without any reason, may elect not to renew this Agreement at the end of the initial term or any successive term.

(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.

(a) **Salary.** 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 \$175,000 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 each January 1 during the term of this Agreement by an amount equal to 10% of the Executive’s salary for the prior fiscal year.

(b) Bonus. The Executive shall receive a cash bonus with respect to each fiscal year of the Company during the Term, commencing with the year ending December 31, 2017, in an amount equal to one-half of one percent multiplied by the difference between revenue in each respective fiscal year less \$7,980,471 (which was the gross revenue for fiscal 2016). By way of example, if 2018 revenue is \$20,000,000, Executive would receive a bonus in that year of \$60,098).

(c) Grant of Options. The Company agrees to grant to the Executive options to acquire an aggregate number of 300,000 shares of restricted stock of the Company over the Term of this Agreement, with a three-year vesting schedule pursuant to that Option Agreement dated September ____, 2017 (the "**Option Agreement**") between the Executive and the Company. Options to purchase 30,750 shares shall be deemed granted and vested as of the date of this Agreement. The grant and vesting of the remaining options to purchase 269,250 shares shall be subject to the approvals of the Board of Directors and shareholders of a new incentive plan or an amended incentive plan with an increased number of authorized shares to be issued thereunder. The second grant and vesting of options to purchase 69,250 shares will be on the date of approval by both the Board of Directors and shareholders. The third grant and vesting of options to purchase 100,000 shares shall be on the second anniversary of this Agreement; provided, however, if the Board of Directors and shareholders have not both approved such grant within one year from the date of this Agreement, the date of grant and vesting of such options to purchase 100,000 shares shall be the date of approval by both the Board of Directors and shareholders. The fourth grant and vesting of options to purchase 100,000 shares shall be on the third anniversary of this Agreement on the basis of approval from both the Board of Directors and shareholders prior to such date. 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 on the day of vesting. The disposition, transfer or sale of the Options granted in the Option Agreement is subject to the terms and conditions of the Option Agreement and the Company's appropriate equity incentive plan(s).

(d) Expenses. The Company agrees promptly to reimburse the Executive for all reasonable and necessary business expenses, including without limitation, telephone and facsimile charges 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; (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(f) 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).

(b) Death. In the event of the death of the Executive during the Employment Term, the Employment Term hereunder shall terminate on the date of death of the Executive; provided, however, that the Company shall (i) pay to the estate of the deceased Executive any unpaid Salary through the Executive's date of death; (ii) pay to the estate of the deceased Executive his accrued but unpaid incentive compensation if any, for any bonus period ending on or before the Executive's date of death; and (iii) pay to the estate of the deceased Executive (based upon the period ending on the date of death) a pro rata portion of any incentive compensation, if any for the bonus period in which termination occurs. The Company shall have no further liability hereunder (other than for (x) reimbursement for reasonable business expenses incurred prior to the date of the Executive's death and other reimbursable expenses due under Section 3(f) through the date of Executive's death, and (y) payment of compensation for unused vacation days that have accumulated during the calendar year 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. If the Company terminates this Agreement, the Executive shall be entitled to receive all salary and benefits during the remaining term of this Agreement as if the Agreement had not been terminated.

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 from time to time in effect, including, without limitation, medical insurance, disability and life insurance, participation in retirement, savings, subject to, and on a basis consistent with, the terms, conditions, and overall administration of such plans and policies, on terms no less favorable, in each instance, than those made available to other senior executives and key management employees 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 three (3) weeks of paid vacation for each twelve (12) months of employment.

7. INSURANCE. The Company shall have the right to apply for and take out, in the Company's own name or otherwise, at the Company's expense, life, health, accident, or other insurance covering the Executive, in any amount the Company deems necessary to protect the Company's interest hereunder, and the Executive shall have no right, title or interest in or to any such insurance or the proceeds thereof. The Executive shall assist the Company in obtaining such insurance by submitting to usual and customary medical and other examinations and by signing such applications, statements and other instruments as may be reasonably required by any insurance company in connection with obtaining such insurance coverage.

8. DEDUCTIONS AND WITHHOLDINGS. All 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 law.

9. 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.

10. 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.

(b) 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.

(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 and a period of one (1) year 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 known to the Executive prior to the date of this Agreement.

(f) No Limitation. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts, confidentiality, trade secrets, fiduciary duty and obligations where such laws provide the Company with any broader, further or other remedy or protection than those provided herein.

(g) 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).

(h) 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.

(i) 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.

11. 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 telecopier 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.

12. 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 12(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.

(b) **Governing Law; Jurisdiction.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF 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.

(c) Severability. Each term and provision of this Agreement is severable; the invalidity, illegality or unenforceability or modification of any term or provision of this Agreement shall not affect the validity, legality and enforceability of the other terms and provisions of this Agreement, which shall remain in full force and effect. Since it is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought, should any particular provision of this Agreement be deemed invalid, illegal or unenforceable, the same shall be deemed reformed and amended to delete that portion that is adjudicated to be invalid, illegal or unenforceable and the deletion shall apply only with respect to the operation of such provision and to the extent of such provision and, to the extent that a provision of this Agreement would be deemed unenforceable by virtue of its scope, but may be made enforceable by limitation thereon, each party agrees that this Agreement shall be reformed and amended so that the same shall be enforceable to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

(d) 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.

(e) 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.

(f) 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.

(g) Headings; Counterparts. The headings contained in this Agreement are inserted for reference purposes only and shall not in any way affect the meaning, construction or interpretation of this Agreement. This Agreement may be executed in two (2) counterparts, each of which, when executed, shall be deemed to be an original, but both of which, when taken together, shall constitute one and the same document.

(h) Further Assurances. The Executive shall execute and/or cause to be delivered to the Company such instruments and other documents, and shall take such other actions, as the Company may reasonably request at any time for the purpose of carrying out or evidencing any of the provisions of this Agreement.

(i) 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.

(j) 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: _____
Name: Darren Lampert
Title: Chief Executive Officer

EXECUTIVE

By: _____
Name: Michael Salaman
Title: President

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Darren Lampert, certify that:

1. I have reviewed this Form 10-Q of GrowGeneration Corporation;
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 registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 8, 2017

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Monty Lamirato, certify that:

1. I have reviewed this Form 10-Q of GrowGeneration Corporation;
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 registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) 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 13-a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 8, 2017

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

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
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 accompanying Quarterly Report on Form 10-Q of GrowGeneration Corporation (the "Company") for the fiscal quarter ended September 30, 2017, I, Darren Lampert, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, 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 such Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

November 8, 2017

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
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 accompanying Quarterly Report on Form 10-Q of GrowGeneration Corporation (the "Company") for the fiscal quarter ended September 30, 2017, I, Monty Lamirato, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, 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 such Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

November 8, 2017

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