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: **June 30, 2019**

Commission File Number: **333-207889**

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

Colorado	**46-5008129**
(State of other jurisdiction of incorporation)	(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 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 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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

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 ☒

Securities registered pursuant to Section 12(b) of the Act: None

As of August 7, 2019, there were 35,525,943 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

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash	$ 17,859,472	$ 14,639,981
Accounts receivable, net of allowance for doubtful accounts of $119,237 at June 30, 2019 and $133,288 at December 31, 2018	1,420,233	862,397
Inventory	15,128,955	8,869,469
Prepaid expenses and other current assets	1,581,140	606,037
Total current assets	35,989,800	24,977,884
Property and equipment, net	2,832,581	1,820,821
Operating leases right-of-use assets, net	5,461,196	-
Intangible assets, net	226,205	114,155
Goodwill	14,725,115	8,752,909
Other assets	318,355	227,205
TOTAL ASSETS	$ 59,553,252	$ 35,892,974
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,865,955	$ 1,819,411
Other accrued liabilities	36,247	40,151
Payroll and payroll tax liabilities	673,939	410,345
Customer deposits	436,315	516,038
Sales tax payable	425,792	191,958
Current maturities of operating leases right-of-use assets	1,550,349	-
Current maturities of long-term debt	294,712	436,813
Total current liabilities	6,283,309	3,414,716
Long-term convertible debt, net of debt discount and debt issuance costs	2,096,992	2,044,113
Operating leases right-of-use assets, net of current maturities	3,993,403	-
Long-term debt, net of current maturities	288,872	375,626
Total liabilities	12,662,576	5,834,455
Commitments and contingencies		
Stockholders' Equity:		
Common stock; $.001 par value; 100,000,000 shares authorized; 34,834,911 and 27,948,609 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	34,834	27,949
Additional paid-in capital	54,330,413	38,796,562
Accumulated deficit	(7,474,571)	(8,765,992)
Total stockholders' equity	46,890,676	30,058,519
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 59,553,252	$ 35,892,974

See Notes to the Unaudited Consolidated Financial Statements.

GROWGENERATION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Sales	$ 19,483,383	$ 7,152,299	$ 32,570,605	$ 11,534,558
Cost of sales	13,663,173	5,423,069	23,063,764	8,614,719
Gross profit	5,820,210	1,729,230	9,506,841	2,919,839
Operating expenses:				
Store operations	2,734,788	1,148,952	4,616,326	2,029,848
General and administrative	549,129	399,130	1,124,313	762,873
Share based compensation	390,898	337,148	522,243	553,348
Depreciation and amortization	150,842	70,899	291,132	126,994
Salaries and related expenses	820,842	395,078	1,429,106	726,810
Total operating expenses	4,646,499	2,351,207	7,983,120	4,199,873
Income (loss) from operations	1,173,711	(621,977)	1,523,721	(1,280,034)
Other income (expense):				
Interest expense	(3,161)	(11,312)	(8,690)	(19,330)
Interest income	15,433	14,038	34,283	29,627
Other income (loss)	(6,833)	(5,866)	(15,797)	8,444
Amortization of debt discount	(117,150)	(304,842)	(242,096)	(622,096)
Total non-operating expense, net	(111,711)	(307,982)	(232,300)	(603,355)
Net income (loss)	$ 1,062,000	$ (929,959)	$ 1,291,421	$ (1,883,389)
Net income (loss) per shares, basic	$ .04	$ (.04)	$ .04	$ (.09)
Net income (loss) per shares, diluted	$ .03	$ (.04)	$ .04	$ (.09)
Weighted average shares outstanding, basic	30,326,304	21,901,093	29,389,636	20,230,146
Weighted average shares outstanding, diluted	36,311,850	21,901,093	35,375,182	20,230,146

See Notes to the Unaudited Consolidated Financial Statements.

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

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income (loss)	$ 1,291,421	$ (1,883,389)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	291,132	126,993
Amortization of debt discount	242,096	622,096
Stock-based compensation expense	522,243	533,348
Noncash operating lease expense	82,556	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(557,836)	(300,741)
Inventory	(3,076,386)	(3,503,677)
Prepaid expenses and other assets	(1,080,372)	16,507
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,042,640	622,286
Payroll and payroll tax liabilities	227,893	23,832
Customer deposits	(79,723)	57,258
Sales tax payable	233,834	144,660
Net cash used in operating activities	(860,502)	(3,520,827)
Cash flows from investing activities:		
Assets acquired in business combinations	(7,631,775)	-
Purchase of furniture and equipment	(1,052,892)	(222,367)
Purchase of intangibles	(112,050)	(859,887)
Net cash used in investing activities	(8,796,717)	(1,082,254)
Cash flows from financing activities:		
Principal payments on long term debt	(228,855)	(134,432)
Proceeds from issuance of convertible debt, net of expenses	-	8,912,765
Proceeds from the sale of common stock and exercise of warrants, net of expenses	13,105,214	12,042,822
Net cash provided by financing activities	12,876,359	20,821,074
Net increase in cash	3,219,491	16,218,074
Cash at the beginning of period	14,639,981	1,215,265
Cash at the end of period	$ 17,859,472	$ 17,433,339
Supplemental disclosures of non-cash financing activities:		
Cash paid for interest	$ 8,690	$ 19,330
Common stock issued for accrued payroll	$ 210,200	$ 108,420
Common stock issued for prepaid services	$ 96,000	$ 45,000
Debt converted to equity	$ 189,217	$ 779,320
Warrants issued for debt discount	$ -	$ 4,239,000
Acquisition of vehicles with debt financing	$ -	$ 56,174
Assets acquired by issuance of common stock	$ 1,809,631	$ 1,390,550
Acquisition of assets with seller financing	$ -	$ 564,000
Right to use assets acquired under operating leases	$ 5,543,752	$ -

See Notes to the Unaudited Consolidated Financial Statements.

1. NATURE OF OPERATIONS

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

GrowGeneration is the largest chain of hydroponic garden centers in North America. Today, the Company owns and operates a chain of twenty three (23) retail hydroponic/gardening stores, with five (5) located in the state of Colorado, five (5) in the state of California, three (3) in the state of Michigan, two (2) in the state of Nevada, one (1) in the state of Washington, two (2) in the State of Oklahoma, one (1) in the state of Rhode Island, one (1) in New Hampshire, three (3) in Maine, and an online e-commerce store, HeavyGardens. Our plan is to acquire, open and operate hydroponic/gardening stores and related businesses throughout the United States and Canada.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

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 April 1, 2019 for the years ended December 31, 2018 and 2017.

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

Leases

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

Segment Reporting

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

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. 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 2018, 2017 and 2016 tax years are open and subject to examination by taxing authorities. However, the Company is not currently under audit nor has the Company been contacted by any of the taxing authorities. The Company does not have any accrual for uncertain tax positions as of June 30, 2019. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

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

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

In 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. The adoption of this standard on January 1, 2019 did not have any effect on the consolidated financial statements and footnote disclosure.

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

Recently Issued Accounting Pronouncements – Pending Adoption

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

3. RECENT ACCOUNTING PRONOUNCEMENTS, continued

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

4. PROPERTY AND EQUIPMENT

	June 30, 2019	December 31, 2018
Vehicles	$ 570,636	$ 535,857
Leasehold improvements	647,095	441,725
Furniture, fixtures and equipment	2,486,139	1,417,061
	3,703,870	2,394,643
(Accumulated depreciation)	(871,289)	(573,822)
Property and Equipment, net	$ 2,832,581	$ 1,820,821

Depreciation expense for the three months ended June 30, 2019 and 2018 was $150,842 and $70,619, respectively and depreciation expense for the six months ended June 30, 2019 and 2018 was $291,132 and $126,433, respectively.

5. LONG-TERM DEBT

Long term debt is as follows:		June 30, 2019		December 31, 2018
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	$	1,250	$	3,211
Wells Fargo Equipment Finance, interest at 3.5% per annum, payable in monthly installments of $518.96 beginning April 2016 through March 2021, secured by warehouse equipment with a book value of $25,437		10,068		12,976
Notes payable issued in connection with seller financing of assets acquired, interest at 1%, payable in 24 installments of $24,996, due February 2020		200,000		350,000
Notes payable issued in connection with seller financing of assets acquired, interest at 1%, payable in 12 installments of $6,003, due September 2019		12,000		54,000
Notes payable issued in connection with seller financing of assets acquired, interest at 8.125%, payable in 60 installments of $8,440, due August 2023		360,266		392,252
	$	583,584	$	812,439
Less Current Maturities		(294,712)		(436,813)
Total Long-Term Debt	$	288,872	$	375,626

Interest expense for the three months ended June 30, 2019 and 2018 was $3,161 and $11,312, respectively and Interest expense for the six months ended June 30, 2019 and 2018 was $8,690 and $19,330, respectively.

6. LEASES

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

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

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

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

	June 30, 2019
Right to use assets, operating lease assets	$ 5,461,196
Current lease liability	$ 1,550,349
Non-current lease liability	3,993,403
	$ 5,543,752

	June 30, 2019
Weighted average remaining lease term	3.75 years
Weighted average discount rate	7.6%
Operating lease assets obtained for operating lease liabilities	$ 3,050,164

6. LEASES, continued

Maturities of lease liabilities		
2019	$	942,200
2020		1,839,700
2021		1,775,300
2022		1,270,700
2023		774,300
2024		61,900
Total lease payments		6,664,100
Less: Imputed interest		(1,120,348)
Lease Liability June 30, 2019	$	5,543,752

7. CONVERTIBLE DEBT

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

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

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

During the six months ended June 30, 2019 and 2018, convertible debt and accrued interest of $250,356 and $1,425,003, net of unamortized debt discount of $60,783 and $586,804, respectively, were converted into 83,451 and 475,001 shares of common stock, respectively, at the conversion rate of $3.00 per share.

During the six months ended June 30, 2019 and 2018, 172,500 and 532,500 warrants issued in connection with the convertible debt were exercised, resulting in the issuance of 172,500 and 532,500, shares of common stock, respectively.

		June 30, 2019		December 31, 2018
Convertible debt	$	2,825,000	$	3,075,000
Remaining unamortized debt discount and debt issue costs		(728,008)		(1,030,887)
Convertible debt, net of debt discount and debt issue costs	$	2,096,992	$	2,044,113

Amortization of debt discount for the three months ended June 30, 2019 and 2018 was $117,150 and $304,842, respectively and amortization of debt discount for the six months ended June 30, 2019 and 2018 was $242,096 and $622,096, respectively.

8. 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 six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Total non-cash share-based compensation	$ 390,898	$ 337,148	$ 522,243	$ 553,348

On March 6, 2014, the Company's Board of Directors (the "Board") and majority stockholders approved the 2014 Equity Incentive Plan (the "2014 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 2014 Plan shall not exceed 2,500,000 shares. Awards under the 2014 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 a ten-percent stockholder which is required to be issued at a price not less than 110% of the fair market value on the day of the grant. Each option is exercisable at such time or times, during such period and for such numbers of shares shall be determined by the plan administrator. No option may be exercisable for more than ten years (five years in the case of an incentive stock option granted to a ten-percent stockholder) from the date of grant. As of the date of this filing, there are a total of 2,113,834 options issued under the 2014 Plan (of which 1,718,334 options have been exercised and 395,500 remain outstanding), 375,000 shares of Common Stock issued, and 11,166 shares of Common Stock available to be issued.

On January 7, 2018, the Board adopted the 2018 Equity Compensation Plan (the "2018 Plan") and on April 20, 2018, the shareholders approved the 2018 Plan. The 2018 Plan is administered by the Board. The maximum number of shares of Common Stock which may be issued over the term of the plan shall not exceed 2,500,000 shares. The Board may grant options to purchase shares of Common Stock, stock appreciation rights, restricted stock units, restricted or unrestricted shares of Common Stock, performance shares, performance units, other cash-based awards and other stock-based awards.

The Board may delegate authority to the chief executive officer and/or other executive officers to grant options and other awards to employees (other than themselves), subject to applicable law and the 2018 Plan. No options, stock purchase rights or awards may be made under the 2018 Plan on or after the ten-year anniversary of the adoption of the 2018 Plan by the Board, but the 2018 Plan will continue thereafter while previously granted options, stock appreciation rights or awards remain subject to the 2018 Plan. Options granted under the 2018 Plan may be either "incentive stock options" that are intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or "nonstatutory stock options" that do not meet the requirements of Section 422 of the Code. The Board will determine the exercise price of options granted under the 2018 Plan. The exercise price of stock options may not be less than the fair market value, on the date of grant, per share of our Common Stock issuable upon exercise of the option (or 110% of fair market value in the case of incentive options granted to a ten-percent stockholder). No option may be exercisable for more than ten years (five years in the case of an incentive stock option granted to a ten-percent stockholder) from the date of grant.

8. SHARE BASED PAYMENTS AND STOCK OPTIONS, continued

Options outstanding at June 30, 2019 are as follows:

Options	**Shares**	**Weight - Average Exercise Price**	**Weighted - Average Remaining Contractual Term**	**Weighted - Average Grant Date Fair Value**
Outstanding at December 31, 2018	1,815,500	$ 1.66	2.65 years	$ .78
Granted	315,000	2.93		$ 1.91
Exercised	(600,000)	.60		.07
Forfeited or expired				
Outstanding at June 30, 2019	1,530,500	$ 2.33	3.17 years	$ 1.29
Options vested at June 30, 2019	965,500	$ 2.17	2.99 years	$ 1.15

9. STOCK PURCHASE WARRANTS

A summary of the status of the Company's outstanding stock purchase warrants as of June 30, 2019 is as follows:

	Warrants	**Weighted - Average Exercise Price**
Outstanding at December 31, 2018	$ 3,279,667	$ 1.94
Issued	2,061,629	3.50
Exercised	(1,250,000)	.35
Forfeited	-	
Outstanding at June 30, 2019	4,091,296	$ 3.21

10. STOCKHOLDERS' EQUITY

The Company's current Certificate of Incorporation authorizes the Company to issued 100,000,000 shares of Common Stock. As of June 30, 2019, there were 34,834,911 shares of Common Stock outstanding.

2019 Equity Transactions

During the six months ended June 30, 2019, the Company issued 4,123,257 shares of Common Stock in connection with the sale of 4,123,257 units in a private placement at $3.10 per unit. Each unit consisted of (i) one share of Common Stock and (ii) one 3-year warrant, each entitling the holder to purchase one half share of Common Stock, at a price of $3.5 per share.

During the six months ended June 30, 2019, the Company issued 1,250,000 shares of Common Stock upon exercise of outstanding common stock warrants at $.35 per share.

During the six months ended June 30, 2019, the Company issued 172,500 shares of Common Stock upon exercise of outstanding convertible debt warrants.

10. STOCKHOLDERS' EQUITY, continued

During the six months ended June 30, 2019, the Company issued 83,451 shares of Common Stock upon conversion of $250,356 in outstanding convertible debt and accrued interest at $3.00 per share.

During the six months ended June 30, 2019, the Company issued 594,553 shares of Common Stock valued at approximately $1.8 million as partial consideration for assets acquired in business combinations.

During the six months ended June 30, 2019, the Company issued 470,044 shares of Common Stock upon the cashless exercise of 600,000 common stock options.

During the six months ended June 30, 2019, the Company issued 100,000 shares of Common Stock, valued at approximately $231,000, for employee bonuses accrued at December 31, 2018.

During the six months ended June 30, 2019, the Company issued 50,000 shares of Common Stock, valued at approximately $96,000, for consulting services.

During the six months ended June 30, 2019, the Company issued 17,500 shares of Common Stock to employees in connection with share-based compensation.

2018 Equity Transactions

During the six months ended June 30, 2018, the Company issued 3,333,333 shares of Common Stock from the sale of Common Stock and warrants.

During the six months ended June 30, 2018, the Company issued 2,209,433 shares of Common Stock from the exercise of warrants.

During the six months ended June 30, 2018, the Company issued 560,000 shares of Common Stock valued at approximately $1,390,550 in connection with assets acquired in business combinations.

During the six months ended June 30, 2018, the Company issued 475,000 shares of Common Stock upon conversion of $1,425,000 of convertible debt at $3.00 per share.

During the six months ended June 30, 2018, the Company issued 118,334 shares of Common Stock upon the exercise of 118,334 options and issued 340,580 shares of Common Stock upon the cashless exercise of 400,000 options.

During the six months ended June 30, 2018, the Company issued 26,000 shares of Common Stock, valued at approximately $108,000, for employee bonuses accrued at December 31, 2017 and issued 45,000 shares to employees in accordance with employment agreements.

During the six months ended June 30, 2018, the Company issued 10,000 shares of Common Stock, valued at approximately $45,000, for consulting services.

11. EARNINGS PER SHARE

Potentially dilutive securities, issued by the Company, were comprised of the following:

	June 30, 2019	June 30, 2018
Stock purchase warrants	4,091,296	3,560,000
Convertible debt warrants	363,750	817,500
Options	1,530,500	2,084,000
Total	5,985,546	6,461,500

The following table sets forth the composition of the weighted average shares (denominator) used in the basic and dilutive earnings per share computation for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income (loss)	$ 1,062,000	$ (929,959)	$ 1,291,421	$ (1,883,389)
Weighted average shares outstanding, basic	30,326,304	21,901,093	29,389,636	20,230,146
Effect of dilutive common stock equivalents	5,985,546	-	5,985,546	-
Adjusted weighted average shares outstanding, dilutive	36,311,850	21,901,093	35,375,182	20,230,146
Basic income (loss) per shares	$ .04	$ (.04)	$ .04	$ (.09)
Dilutive income (loss) per share	$ .03	$ (.04)	$ .04	$ (.09)

12. ACQUISITIONS

The Company accounts for acquisitions in accordance with ASC 805 "Business Combinations." Assets acquired and liabilities assumed are recorded in the accompanying consolidated balance sheets at their estimated fair values, as of the acquisition date. For all acquisitions, the preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. The Company has not made any adjustments to the preliminary valuations. The table below represents the allocation of the preliminary purchase price to the acquired net assets during the six months ended June 30, 2019.

	Green Life Garden	Chlorophyll	Reno Hydroponics	Palm Springs Hydroponics	Total
Inventory	$ 1,038,600	$ 1,441,000	$ 238,000	$ 465,500	$ 3,183,100
Prepaids and other current assets	14,100	22,000	-		36,100
Furniture and equipment	100,000	100,000	25,000	25,000	250,000
Goodwill	2,305,900	2,596,100	516,300	554,000	5,972,300
Total	$ 3,458,600	$ 4,159,100	$ 779,300	$ 1,044,500	$ 9,441,500

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

	Green Life Garden	Chlorophyll	Reno Hydroponics	Palm Springs Hydroponics	Total
Cash	$ 2,647,700	$ 3,659,100	$ 525,000	$ 800,000	$ 7,631,800
Common stock	810,900	500,000	254,300	244,500	1,809,700
Total	$ 3,458,600	$ 4,159,100	$ 779,300	$ 1,044,500	$ 9,441,500

The following table discloses the date of the acquisitions noted above and the revenue and earnings included in the consolidated income statement from the date of acquisition to the period ended June 30, 2019.

	Green Life Garden	Chlorophyll	Reno Hydroponics	Palm Springs Hydroponics	Total
Acquisition date	5/14/2019	1/21,2019	2/11/2019	2/7/2019	
Revenue	$ 1,056,200	$ 3,450,600	$ 880,400	$ 1,326,400	$ 6,713,600
Earnings	$ 234,700	$ 613,000	$ 151,100	$ 271,600	$ 1,270,400

The following represents the pro forma consolidated income statement as if the acquisitions had been included in the consolidated results of the Company for the entire period for the six months ended June 30, 2018.

Pro forma consolidated income statement

	June 30, 2018
Revenue	$ 9,873,500
Earnings	$ 1,073,800

13. SUBSEQUENT EVENTS

The Company has evaluated events and transaction occurring subsequent to June 30, 2019 up to the date of this filing of these consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

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, 2018 filed with the SEC on April 1, 2019. 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 is the largest chain of hydroponic garden centers in North America. Today, GrowGeneration owns and operates a chain of twenty three (23) retail hydroponic/gardening stores, with five (5) located in the state of Colorado, five (5) in the state of California, three (3) in the state of Michigan, two (2) in the state of Nevada, one (1) in the state of Washington, two (2) in the State of Oklahoma, one (1) in the state of Rhode Island, one (1) in the state of New Hampshire, three (3) in the state of Maine, and an online e-commerce store, HeavyGardens. Our plan is to open and operate hydroponic/gardening stores and related businesses throughout the United States and Canada.

Today, our 23 facilities operate in 9 states, each state considered an operating region. During the six months ended June 30, 2019 we completed the acquisition of six additional stores that are projected to provide an additional $20 million in revenues annually and opened two stores, one in Tulsa, OK and one in Brewer, ME. In 2018, we acquired approximately $25 million in revenue from six acquisitions. We continue to achieve our yearly revenue growth goals of 100% year over year growth. Our operations span over 300,000 sq. ft of retail and warehouse space. We employ today approximately 120 agronomist and horticulturist that we have branded "Grow Pros". In addition to our store operations, GrowGeneration also operates 5 divisions. These wholly owned divisions are, GrowGeneration Canada, GrowGeneration Hemp, GGen Distribution Corp and our newly purchased e-commerce super-store HeavyGardens.com. GrowGeneration Management Corp is a wholly owned subsidiary to sell directly into the commercial markets. Sales calls into the commercial markets include new capital projects and multi-state operators. Commercial customers set up accounts through our online portal and can order directly online and receive their commercial pricing. HeavyGardens.com is the Company's recent acquisition of an e-commerce online superstore that today generates approximately $400,000 a month in sales and has over 60,000 unique visitors. The Company is implementing an omni-channel approach of ordering online and picking up at one of our store locations. We have allocated capital marketing dollars to a digital marketing campaign to further grow our online brand presence. GrowGeneration Canada was formed to mirror our US operations and strategies to acquire hydro operations in Canada. GrowGeneration Hemp is developing a supply chain to outfit hemp farms, currently over 75,000 acres in the US, with equipment and supplies. As more of these hemp farms become operational and the demand for CBD Isolate and Biomass increases, the increase in hemp farming is expected to be a high growth channel for the Company. Lastly, GGen Distribution Corp is sourcing and developing new and innovative agricultural products, private label and exclusive products to drive margins and introduce the commercial growers to the latest new technologies to increase yields and the quality of their plants.

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 groups of customers, namely commercial growers, and smaller growers that require a local store to fulfill their daily and weekly growing needs. Our supply-chain includes over 10,000 sku's across 12 product departments. We can deliver directly to the grower's facility, and they can pick up the products at one of our stores or order online.

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

Our target market segments include the commercial growers in the plant-based medicine market, the home grower and businesses and individuals who grow organically grown herbs and leafy green vegetables. The landscape for hydroponic retail stores is very fragmented, with smaller single stores which we consider very ripe for our roll up strategy. Further, the products we sell are in demand due to the ever-increasing legalization and the number of licensed cultivation facilities in both the US and Canada. Total sales for the hydroponic equipment business were well over $4 billion in 2018.

Sales at our stores have grown since we commenced our business in May 2014, when we acquired the assets of Southern Colorado Garden Supply Corp. (d/b/a Pueblo Hydroponics), which owned and operated four retail stores. Our growth has been fueled by the purchase of additional retail stores, 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.

The Company continues its rollout of its new enterprise resources planning ("ERP") solution, which it started in the fourth quarter of 2018, adding our Northern California, Michigan, Maine, Oklahoma and Rhode Island stores to our ERP system in 2019. The ERP system is designed to improve departmental productivity and effectiveness. The ERP system also provides reporting tools to better evaluate inventory levels and inventory purchasing needs.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2019 and 2018

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	$ Variance	% Variance
Net revenue	$ 19,483,383	$ 7,152,299	$ 12,331,084	172%
Cost of goods sold	13,663,173	5,423,069	8,240,104	152%
Gross profit	5,820,210	1,729,230	4,090,980	237%
Operating expenses	4,646,499	2,351,207	2,295,292	98%
Operating income (loss)	1,173,711	(621,977)	1,795,688	289%
Other income (expense)	(111,711)	(307,982)	196,271	(64)%
Net income (loss)	$ 1,062,000	(929,959)	1,991,959	214%

Revenue

Net revenue for the three months ended June 30, 2019 increased approximately $12.3 million, or 172%, to approximately $19.5 million, compared to approximately $7.2 million for the three months ended June 30, 2018. The increase in revenues in 2019 was primarily due to the addition of 14 new stores opened or acquired after April 1, 2018, and the new e-commerce site acquired in mid-September 2018. The 14 new stores and the new e-commerce web site contributed $12.7 million in revenue for the quarter ended June 30, 2019. Three new stores which we opened at various times during the quarter ended June 30, 2018 contributed sales of $1.6 million during that quarter. The chart below shows sales by market for the three months ended June 30, 2019 and 2018. The Company also consolidated some stores in 2019 and 2018, primarily in Colorado that had revenues of $66,000 for the three months ended June 30, 2019 and $462,000 for the three months ended June 30, 2018.

The Company currently continues to focus on nine (9) markets and the new e-commerce site noted below and the growth opportunities that exist in each market. We continue to focus on new store acquisitions, proprietary products and the continued development of our online and Amazon sales.

	Sales by Market		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**Variance**
Colorado	$ 3,915,664	$ 1,894,862	$ 2,020,802
California	5,048,307	1,132,389	3,915,918
Rhode Island	2,056,590	1,373,568	683,022
Michigan	1,610,803	825,015	785,788
Nevada	952,344	391,513	560,831
Washington	350,244	334,211	16,033
Oklahoma	2,506,769	-	2,506,769
Maine/New Hampshire	1,562,578	-	1,562,578
E-commerce	1,036,334	-	1,036,334
Closed/consolidated locations	443,750	1,200,741	(756,991)
Total revenues	$ 19,483,383	$ 7,152,299	12,331,084

Sales of the Company's products in the Colorado market increased approximately $2 million or 107% comparing the quarter ended June 30, 2019 to June 30, 2018, which was primarily due the Company's continued focus on increasing commercial sales and the acquisition of a new store in mid-January 2019. Sales of the Company's products in the California market have seen growth of approximately $3.9 million, or 346%, from the addition of five (5) new stores through acquisitions. The California market experienced slower growth in 2018 as a result of a change in the regulatory environment and the implementation of new rules and regulations which had previously slowed the issuance of new licenses to growers. The Company positioned itself to take advantage of new licenses issued to growers in 2019 and the increase in sales is reflective in that positioning.

Both the Rhode Island and Michigan markets have seen significant sales growth since their acquisitions in late January 2018 and April 2018, respectively. Sales in the Rhode Island market increased 50% primarily from its increased focus on commercial and multi-state commercial customers. Sales in the Michigan market increased 95% also primarily due to the increase in commerce customer accounts.

Revenue in the Nevada market increased 143% primarily due to the acquisition of our Reno store in February 2019.

Sales in the Washington market increased slightly, 5% comparing the quarter ended June 30, 2019 to the quarter ended June 30, 2018.

Stores in the Oklahoma market opened on October 1, 2018 and February 1, 2019, respectively and was a new market. Sales in this new market have been very strong.

Revenues in Maine/New Hampshire are derived from a new store we opened March 1, 2019 and two stores we acquired in May 2019 in Maine and one store acquired in New Hampshire.

The Company operated the same 9 stores opened for the entire three months ended June 30, 2019 and 2018: four (4) in Colorado, two (2) in California, one (1) in Nevada, one (1) in Rhode Island and one (1) in Washington. These same stores generated approximately $6.2 million in sales for the three months ended June 30, 2019, compared to approximately $5 million in sales for the three months ended June 30, 2018, an increase of 23%, primarily due to the increase in the number of commercial customers. Same store sales increased in all of the markets as noted below comparing June 30, 2019 to June 30, 2018.

	9 Same Stores All Markets		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**Variance**
Colorado market	$ 2,455,878	1,894,862	$ 561,016
Rhode Island	2,056,590	1,373,568	683,022
California market (1)	875,925	1,048,364	(172,439)
Washington market	350,244	334,211	16,033
Nevada market	458,108	391,513	66,595
Net revenue, all markets	$ 6,196,745	5,042,518	1,154,227

(1) Includes only the Arcata and McKinleyville stores.

Cost of Goods Sold

Cost of goods sold for the three months ended June 30, 2019 increased approximately $8.2 million, or 152%, to approximately $13.7 million, as compared to approximately $5.4 million for the three months ended June 30, 2018. The increase in cost of goods sold was primarily due to the 172% increase in sales comparing the three months ended June 30, 2019 to the three months ended June 30, 2018. The increase in cost of goods sold is directly attributable to the increase in the number of stores as discussed above.

Gross profit was approximately $5.8 million for the three months ended June 30, 2019, compared to approximately $1.7 million for the three months ended June 30, 2018, an increase of approximately $4.1 million or 237%. Gross profit as a percentage of sales was 29.9% for the three months ended June 30, 2019, compared to 24.2% for the three months ended June 30, 2018. The increase in the gross profit margin percentage is due to (1) reduced pricing from vendors as a result of our increasing purchasing from those vendors, (2) the sales of product acquired in a large bulk purchase in the first quarter of 2019 at a substantial discount.

Operating Expenses

Operating expenses are comprised of store operations, primarily payroll, rent and utilities, and corporate overhead. Store operating costs were approximately $2.7 million for the three months ended June 30, 2019 and approximately $1.1 million for the three months ended June 30, 2018, an increase of approximately $1.6 million or 138%. The increase in store operating costs was directly attributable to the addition of seven (7) new locations that were acquired in 2019, two locations acquired in June and July 2018 for which there were only partial sales in 2018, and two new stores opened in new markets in 2019 that were not open for any portion of the three months ended June 30, 2018. In addition to the new stores opened or acquired in 2019, as discussed above, we acquired 8 stores at various times in 2018, opened a new store in October 2018, and acquired our new e-commerce site in mid-September 2018. Effective April 1, 2019 we opened two warehouse facilities. The addition of these new store, discussed above, and the two new warehouse facilities were the primary reasons for the increase in store operating costs. Store operating costs as a percentage of sales were 14% for the three months ended June 30, 2019, compared to 16.1% for the three months ended June 30, 2018. Store operating costs were positively impacted by the acquisitions of new stores in 2018 and 2019 which have lower percentage of operating costs to revenues due to their larger size and higher volume. The net impact, as noted above, was lower store operating costs as a percentage of revenues.

Corporate overhead, comprised of general and administrative costs, share based compensation, depreciation and amortization and corporate salaries, was approximately $1.9 million for the three months ended June 30, 2019, compared to approximately $1.2 million for the three months ended June 30, 2018. Corporate overhead was 9.8% of revenue for the three months ended June 30, 2019 and 16.8% for the three months ended June 30, 2018. The increase in salaries expense from 2018 to 2019 was due primarily to the increase in corporate staff to support expanding operations, including purchased store integrations, accounting and finance, information systems, purchasing and commercial sales staff. It should be noted that when we consummate a new acquisition, purchasing and back office accounting functions are stripped from the new acquisitions and those functions are absorbed into our existing centralized purchasing and accounting and finance departments, thus delivering cost savings. Corporate salaries and related payroll costs as a percentage of sales were 4.2% for the three months ended June 30, 2019 compared to 5.5% for the three months ended June 30, 2018. General and administrative expenses comprised mainly of advertising and promotions, travel & entertainment, professional fees and insurance, were approximately $549,000 for the three months ended June 30, 2019 and approximately $399,000 for the three months ended June 30, 2018, with a majority of the increase related to advertising and promotion, travel and entertainment and legal fees. General and administrative costs as a percentage of revenue were 2.8% for the three months ended June 30, 2019, and 5.6% for the three months ended June 30, 2018. As noted earlier, corporate overhead, which includes non-cash expenses consisting primarily of depreciation and share based compensation, was approximately $542,000 for the three months ended June 30, 2019, compared to approximately $408,000 for the three months ended June 30, 2018.

Net Income (Loss)

Net income for the three months ended June 30, 2019 was $1,062,000, compared to a net loss of $(929,959) for the three months ended June 30, 2018, a positive change of nearly $2 million. The increase in net income for the quarter ended June 30, 2019 was primarily due to 1) a 172% increase in sales with only a 152% increase in cost of sales, 2) a reduction of store operating costs as a percentage of revenue from 16.1 % in 2018 to 14% in 2019, and 3) a reduction of overhead as a percentage of revenue from 16.8% in 2018 to 9.8% in 2019.

Comparison of the Six Months Ended June 30, 2019 and 2018

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	$ Variance	% Variance
Net revenue	$ 32,570,605	$ 11,534,558	$ 21,036,047	182%
Cost of goods sold	23,063,764	8,614,719	14,449,045	168%
Gross profit	9,506,841	2,919,839	6,587,002	226%
Operating expenses	7,983,120	4,199,873	3,783,247	90%
Operating income (loss)	1,523,721	(1,280,034)	2,803,755	219%
Other income (expense)	(232,300)	(603,355)	371,055	(61)%
Net income (loss)	$ 1,291,421	$ (1,883,389)	$ 3,174,810	169%

Revenue

Net revenue for the six months ended June 30, 2019 increased approximately $21 million, or 182%, to approximately $32.6 million, compared to approximately $11.5 million for the six months ended June 30, 2018. The increase in revenues in 2019 was primarily due to the addition of 9 new stores opened or acquired after January 1, 2018, 8 new stores opened or acquired after January 1, 2019, and the new e-commerce site acquired in mid-September 2018. The 17 new stores and the new e-commerce web site contributed $25.7 million in revenue for the six months ended June 30, 2019 compared to $4.6 million for the six months ended June 30, 2018 from 7 stores which we opened at various times during the six months ended June 30, 2018. The chart below shows sales by market for the six months ended June 30, 2019 and 2018. The Company also consolidated some stores in 2019 and 2018, primarily in Colorado and California, that had revenues of $801,000 for the six months ended June 30, 2019 and $2.4 million for the six months ended June 30, 2018.

The Company currently continues to focus on nine (9) markets and the new e-commerce site noted below and the growth opportunities that exist in each market. We continue to focus on new store acquisitions, new commercial customers, proprietary products and the continued development of our online and Amazon sales.

	Sales by Market		
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Variance
Colorado	$ 7,245,811	$ 3,271,709	3,974,102
California	7,921,850	1,431,560	6,490,290
Rhode Island	3,554,572	2,336,334	1,218,238
Michigan	3,153,654	825,015	2,328,639
Nevada	1,819,934	795,807	1,024,127
Washington	677,540	498,715	178,825
Oklahoma	4,059,518	-	4,059,518
Maine	1,563,350	-	1,563,350
New Hampshire	53,293	-	53,293
E-commerce	1,717,632	-	1,717,632
Closed/consolidated locations	803,451	2,375,418	(1,571,967)
Total revenues	$ 32,570,605	11,534,558	21,036,047

Sales of the Company's products in the Colorado market increased $3.9 million or 121% comparing the six months ended June 30, 2019 to the six months ended June 30, 2018, which was primarily due to the Company's continued focus on increasing commercial sales and the acquisition of a new store in mid-January 2019. Sales of the Company's products in the California market have seen growth of approximately $6.5 million, or 453%, from the addition of five (5) new stores through acquisitions. The California market experienced slower growth in 2018 as a result of a change in the regulatory environment and the implementation of new rules and regulations which had previously slowed the issuance of new licenses to growers. The Company positioned itself to take advantage of new licenses issued to growers in 2019 and the increase in sales is reflective in that positioning.

Sales in the Rhode Island and Michigan markets are the result of these new acquisitions in 2018. The Rhode Island acquisition occurred in late January 2018 and the Michigan store acquisitions occurred in April 2018, so the quarter ended June 30, 2019 reflects sales in these four stores for an entire quarter. Sales in the Rhode Island and Michigan markets increased 52% and 282% in the six months ended June 30, 2019, respectively, over the same period in 2018. The Company is pursuing new store acquisitions in both of these markets and believes that these markets will be growth markets in 2019.

Revenue in the Nevada market increased 129% as we continue to focus on commercial sales.

Sales in the Washington market increased 36% comparing the six months ended June 30, 2019 to the six months ended June 30, 2018.

New stores in the Oklahoma market opened on October 1, 2018 and February 1, 2019, respectively, which was a new market for the Company and coincides with the legalization of plant-based medicine in the state. Sales in this new market have been very strong.

Maine is also a new market for the Company we opened a new store on March 1, 2019.

The Company had the same 6 stores opened for the entire six months ended June 30, 2019 and 2018: four (4) in Colorado, one (1) in Nevada, and one (1) in Washington. These same stores generated $6.1 million in sales for the six months ended June 30, 2019, compared to $4.6 million in sales for the six months ended June 30, 2018, an increase of approximately 1.5 million or 33%. Same store sales increased in all of the markets as noted below comparing June 30, 2019 to June 30, 2018.

	6 Same Stores All Markets		
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Variance
Colorado market	$ 4,464,578	3,271,709	$ 1,192,869
Washington market	677,540	498,715	178,825
Nevada market	939,305	795,807	143,498
Net revenue, all markets	$ 6,081,423	4,566,231	$ 1,515,192

Cost of Goods Sold

Cost of goods sold for the six months ended June 30, 2019 increased approximately $14.4 million, or 168%, to approximately $23.1 million, as compared to approximately $8.6 million for the six months ended June 30, 2018. The increase in cost of goods sold was primarily due to the 182% increase in sales comparing the six months ended June 30, 2019 to the six months ended June 30, 2018. The increase in cost of goods sold is directly attributable to the increase in the number of new and acquired stores as discussed above.

Gross profit was approximately $9.5 million for the six months ended June 30, 2019, compared to approximately $2.9 million for the six months ended June 30, 2018, an increase of approximately $6.6 million or 226%. Gross profit as a percentage of sales was 29.2% for the six months ended June 30, 2019, compared to 25.3% for the six months ended June 30, 2018. The increase in the gross profit margin percentage is due to (1) reduced pricing from vendors as a result of our increasing purchasing from those vendors, (2) the sales of product acquired in a large bulk purchase in the first quarter of 2019 at a substantial discount.

Operating Expenses

Operating expenses are comprised of store operations, primarily payroll, rent and utilities, and corporate overhead. Store operating costs were approximately $4.6 million for the six months ended June 30, 2019 and approximately $2 million for the six months ended June 30, 2018, an increase of approximately $2.6 million or 127%. The increase in store operating costs was directly attributable to the 182% increase in sales from the addition of six (6) new locations that were acquired and two new stores opened in new markets in 2019 that were not open for any portion of the six months ended June 30, 2018. We acquired 8 stores at various times in 2018, opened one new store in the third quarter of 2018 and acquired our new e-commerce site in mid-September 2018. Effective April 1, 2019 we opened two warehouse facilities. The addition of these new stores and the new warehouse facilities was the primary reason for the increase in store operating costs. Store operating costs as a percentage of sales were 14.2% for the six months ended June 30, 2019, compared to 17.6% for the six months ended June 30, 2018. Store operating costs were positively impacted by the acquisitions of new stores in 2018 and 2019 which have a lower percentage of operating costs to revenues due to their larger size and higher volume. The net impact, as noted above, was lower store operating costs as a percentage of revenues.

Corporate overhead is comprised of general and administrative costs, share based compensation, depreciation and amortization and corporate salaries and was approximately $3.4 million for the six months ended June 30, 2019, compared to approximately $2.2 million for the six months ended June 30, 2018. Corporate overhead was 10.3% of revenue for the six months ended June 30, 2019 and 18.8% for the six months ended June 30, 2018. The increase in salaries expense from 2018 to 2019 was due primarily to the increase in corporate staff to support expanding operations, including purchased store integrations, accounting and finance, information systems, purchasing and commercial sales staff. It should be noted that when we consummate a new acquisition, purchasing and back office accounting functions are stripped from the new acquisitions and those functions are absorbed into our existing centralized purchasing and accounting and finance departments, thus delivering cost savings. Corporate salaries and related payroll costs as a percentage of sales were 4.4% for the six months ended June 30, 2019 compared to 6.3% for the six months ended June 30, 2018. General and administrative expenses comprised mainly of advertising and promotions, travel & entertainment, professional fees and insurance, were approximately $1.1 million for the six months ended June 30, 2019 and approximately $763,000 for the six months ended June 30, 2018, with a majority of the increase related to advertising and promotion, travel and entertainment and legal fees. General and administrative costs as a percentage of revenue were 3.5% for the six months ended June 30, 2019, and 6.6% for the six months ended June 30, 2018. As noted earlier, corporate overhead includes non-cash expenses, consisting primarily of depreciation and share based compensation, which was approximately $813,000 for the six months ended June 30, 2019, compared to approximately $680,000 for the six months ended June 30, 2018.

Net Income (Loss)

The net income for the six months ended June 30, 2019 was approximately $1.3 million, compared to a net loss of $(1,883,389) for the six months ended June 30, 2018, a positive change of approximately $3.2 million. The net income for the six months ended June 30, 2019 was primarily due to 1) a 182% increase in sales with only a 168% increase in cost of sales, 2) a reduction of store operating costs as a percentage of revenue from 17.6 % in 2018 to 14.2% in 2019, and 3) a reduction of overhead as a percentage of revenue from 18.8% in 2018 to 10.3% in 2019.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2019 was approximately $861,000 compared to approximately $3.5 million for six months ended June 30, 2018. Cash used in operating activities is driven by our net income (loss) and adjusted by non-cash items as well as changes in operating assets and liabilities. Non-cash adjustments primarily include depreciation, amortization of intangible assets, share based compensation expense, non-cash operating lease expense and amortization of debt discount. Non-cash adjustments totaled approximately $1.1 million and $1.3 million for the six months ended June 30, 2019 and 2018, respectively, so non-cash adjustments had a lesser positive impact on net cash used in operating activities for the six months ended June 30, 2019 than the same period in 2018. The decrease in the net cash used in operating activities comparing June 30, 2019 to June 30, 2018, of approximately $2.7 million, was primarily related to net income of $1.3 million for the six months ended June 30, 2019 compared to a net loss of approximately $1.9 million for the six months ended June 30, 2018. In addition, the six months ended June 30, 2019 was impacted by a decrease in inventory of approximately $425,000 (excluding acquired inventory from business combination), an increase in prepaids of $1.1 million, offset by an increase in accounts payable and other current liabilities of approximately $1 million. The increases in inventory, prepaids, accounts payable and other accrued expenses are directly attributable to the increase in the number of operating stores in 2019 compared to 2018.

Net cash used in operating activities for the six months ended June 30, 2018 was approximately $3.5 million. This amount was primarily related to a net loss of approximately $1.9 million, increases of inventory of approximately $3.5 million, accounts receivable of $301,000, offset by an increase in accounts payable and other current liabilities of approximately $622,000. 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 January 1, 2018 and June 30, 2018.

Net cash used in investing activities was approximately $8.8 million for the six months ended June 30, 2019 and approximately $1.1 million for the six months ended June 30, 2018. Investing activities in 2019 were primarily attributable to six stores acquisitions in 2019, for which we paid approximately $7.6 million in cash. Other investing activities in 2019 included the purchase of vehicles and store equipment totaling approximately $1.1 million. Investing activities in 2018 related to the purchase of vehicles and store equipment to support new store operations.

Net cash provided by financing activities for the six months ended June 30, 2019 was approximately $12.9 million and was primarily attributable to 1) proceeds from the sale of common stock and exercise of warrants of approximately $13.1 million and 2) debt repayment of approximately $289,000. Net cash provided by financing activities for six months ended June 30, 2018 was $20.8 million and was primarily from 1) proceeds from the sale of convertible debt, $8.9 million and 2) sales of Common Stock and proceeds from the exercise of warrants of $12 million.

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	
	June 30, 2019	**June 30, 2018**
Net income (loss)	$ 1,062,000	$ (929,959)
Interest	3,161	11,312
Depreciation and Amortization	150,842	70,899
EBITDA	1,216,003	(847,748)
Non-cash operating lease expense	55,259	-
Share based compensation (option compensation, warrant compensation, stock issued for services)	390,898	337,148
Amortization of debt discount	117,150	304,842
Adjusted EBITDA	$ 1,779,310	$ (205,758)
Adjusted EBITDA per share, basic	$ .06	$ (.01)
Adjusted EBITDA per share, diluted	$ .05	$ (.01)

	Six Months Ended	
	June 30, 2019	**June 30, 2018**
Net income (loss)	$ 1,291,421	$ (1,883,389)
Interest	8,690	19,330
Depreciation and Amortization	291,132	126,994
EBITDA	1,591,243	(1,737,065)
Non-cash operating lease expense	82,556	-
Share based compensation (option compensation, warrant compensation, stock issued for services)	522,243	553,348
Amortization of debt discount	242,096	622,096
Adjusted EBITDA	$ 2,438,138	$ (561,621)
Adjusted EBITDA per share, basic	$ .08	$ (.03)
Adjusted EBITDA per share, diluted	$ .07	$ (.01)

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2019, we had working capital of approximately $29.6 million, compared to working capital of approximately $21.6 million as of December 31, 2018, an increase of approximately $8 million. The increase in working capital from December 31, 2018 to June 30, 2019 was due primarily to 1) proceeds from the sales of common stock and exercise of warrants totaling $13.1 million during the six months ended June 30, 2019 offset by 2) the application of a new accounting standard related to accounting for operating leases which resulted in a $1.6 million increase in current liabilities. At June 30, 2019, we had cash and cash equivalents of approximately $17.9 million. As of the date of this filing, 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 and related businesses. To date we have financed our operations through the issuance and sale of Common Stock, convertible notes and warrants.

Financing Activities

2019 Private Placement

On June 26, 2019, the Company completed a private placement of a total of 4,123,257 units of the Company's securities at the price of $3.10 per unit pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Each unit consisted of (i) one share of Common Stock and (ii) one 3-year warrant, each entitling the holder to purchase one half share of Common Stock, at a price of $3.5 per share. The Company raised a total of $12,782,099 from 19 accredited investors.

2018 Private Placement

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

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

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 consisted 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 consisted of (i) one share of the Company's Common Stock and (ii) one 5-year warrant to purchase one share of Common Stock at an exercise price of $2.75 per share. The Company raised an aggregate of $2,000,000 gross proceeds in the offering. The Company paid GVC Capital total compensation for its services as follows: (i) it issued GVC 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 (for which GVC paid $100), (ii) it paid GVC a cash fee of $150,000, (iii) it paid GVC a non-accountable expense allowance of $60,000, and (iv) it agreed to pay GVC a warrant exercise fee equal to 3% of all sums received by the Company from the exercise of 750,000 warrants (excluding 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; 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 $119,237 has been reserved as of June 30, 2019 and $133,288 at December 31, 2018.

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 June 30, and December 31, 2018, 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.

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 June 30, 2019 and December 31, 2018.

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 delivery.

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.

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 June 30, 2019.

Based on that evaluation, management concluded, that our disclosure controls and procedures were effective as of June 30, 2019 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

On June 26, 2019, the Company completed a private placement of a total of 4,123,254 units of the Company's securities at the price of $3.10 per unit pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Each unit consisted of (i) one share of Common Stock and (ii) one 3-year warrant, each entitling the holder to purchase one half share of Common Stock, at a price of $3.5 per share. The Company raised a total of $12,782,099 from 19 accredited investors.

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
3.1	Certificate of Incorporation of GrowGeneration Corp. (Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 as filed on November 9, 2015)
3.2	Bylaws of GrowGeneration Corp. (Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 as filed on November 9, 2015)
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 **
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

* Furnished and not filed.

** Pursuant to Rule 402 of Regulation S-T, the interactive files on Exhibit 101 hereto are deemed not filed for purposes of Section 11 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections, and are not part of any registration statement to which they relate.

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 August 8, 2019.

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)

Exhibit 31.1

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 for the fiscal quarter ended June 30, 2019 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.

August 8, 2019

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

Exhibit 31.2

**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 for the fiscal quarter ended June 30, 2019 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.

August 8, 2019

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

Exhibit 32.1

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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

August 8, 2019

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

Exhibit 32.2

**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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

August 8, 2019

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