

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended: **September 30, 2021**
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: **333-207889**

GROWGENERATION CORP.

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

Colorado

(State of other jurisdiction
of incorporation)

46-5008129

(IRS Employer
ID No.)

5619 DTC Parkway, Suite 900
Greenwood Village, Colorado 80111
(Address of principal executive offices)

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

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

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

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

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

Indicate by check mark whether the registrant (1) 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 5, 2021 there were 59,807,922 shares of the registrant's common stock issued and outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)**

	September 30, 2021	December 31, 2020
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,035	\$ 177,912
Marketable securities	29,961	—
Accounts receivable, net	6,953	3,901
Notes receivable, current	7,734	2,612
Inventory, net	113,281	54,024
Prepaid income taxes	2,546	655
Prepays and other current assets	28,169	11,125
Total current assets	251,679	250,229
Property and equipment, net	16,755	6,475
Operating leases right-of-use assets, net	36,155	12,088
Notes receivables, net of current portion	550	1,200
Intangible assets, net	49,397	21,490
Goodwill	123,875	62,951
Other assets	777	301
TOTAL ASSETS	\$ 479,188	\$ 354,734
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,627	\$ 14,623
Accrued liabilities	2,716	672
Payroll and payroll tax liabilities	6,705	2,655
Customer deposits	13,743	5,155
Sales tax payable	3,376	1,161
Income taxes payable	—	—
Current maturities of lease liability	6,205	3,001
Current portion of long-term debt	111	83
Total current liabilities	72,483	27,350
Deferred tax liability	2,351	750
Operating lease liability, net of current maturities	31,355	9,479
Long-term debt, net of current portion	92	158
Total liabilities	106,281	37,737
Stockholders' Equity:		
Common stock	60	57
Additional paid-in capital	358,602	319,582
Retained earnings (deficit)	14,245	(2,642)
Total stockholders' equity	372,907	316,997
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 479,188	\$ 354,734

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Sales	\$ 116,003	\$ 55,007	\$ 331,910	\$ 131,440
Cost of sales	81,940	40,436	236,757	96,338
Gross profit	34,063	14,571	95,153	35,102
Operating expenses:				
Store operations	14,842	5,008	35,648	12,524
Selling, general, and administrative	11,007	4,017	28,975	15,513
Depreciation and amortization	3,539	443	8,510	1,270
Total operating expenses	29,388	9,468	73,133	29,307
Income from operations	4,675	5,103	22,020	5,795
Other income (expense):				
Other expense	78	(14)	32	(75)
Interest income	395	48	435	73
Interest expense	(25)	—	(31)	(20)
Total non-operating income (expense), net	448	34	436	(22)
Net income before taxes	5,123	5,137	22,456	5,773
Provision for income taxes	(1,096)	(1,799)	(5,569)	(1,955)
Net income	\$ 4,027	\$ 3,338	\$ 16,887	\$ 3,818
Net income per share, basic	\$ 0.07	\$ 0.07	\$ 0.29	\$ 0.09
Net income per share, diluted	\$ 0.07	\$ 0.06	\$ 0.28	\$ 0.09
Weighted average shares outstanding, basic	58,531	47,878	58,994	41,477
Weighted average shares outstanding, diluted	59,490	51,626	60,108	44,224

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(in thousands)
(Unaudited)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In Capital	Earnings (Deficit)	Stockholders' Equity
Balances, December 31, 2020	57,151	\$ 57	\$ 319,582	\$ (2,642)	\$ 316,997
Common stock issued upon warrant exercise	40	—	111	—	111
Common stock issued upon cashless warrant exercise	535	1	(1)	—	—
Common stock issued upon exercise of options	1	—	2	—	2
Common stock issued upon cashless exercise of options	5	—	—	—	—
Common stock issued in connection with business combinations	548	—	29,249	—	29,249
Common stock issued for share based compensation	300	—	—	—	—
Common stock redeemed in litigation settlement	(90)	—	—	—	—
Common stock redemption	(96)	—	(3,954)	—	(3,954)
Share based compensation	—	—	1,187	—	1,187
Net income	—	—	—	6,147	6,147
Balances, March 31, 2021	58,394	\$ 58	\$ 346,176	\$ 3,505	\$ 349,739
Common stock issued upon warrant exercise	216	—	224	—	224
Common stock issued upon cashless warrant exercise	119	—	—	—	—
Common stock issued upon exercise of options	460	1	1,729	—	1,730
Common stock issued upon cashless exercise of options	272	—	—	—	—
Common stock issued in connection with business combinations	101	1	3,938	—	3,939
Share based compensation	—	—	1,508	—	1,508
Net income	—	—	—	6,713	6,713
Balances, June 30, 2021	59,562	\$ 60	\$ 353,575	\$ 10,218	\$ 363,853
Common stock issued upon cashless warrant exercise	5	—	—	—	—
Common stock issued upon exercise of options	8	—	22	—	22
Common stock issued upon cashless exercise of options	47	—	—	—	—
Common stock issued in connection with business combinations	87	—	3,063	—	3,063
Common stock issued for share based compensation	61	—	220	—	220
Share based compensation	—	—	1,722	—	1,722
Net income	—	—	—	4,027	4,027
Balances, September 30, 2021	59,770	\$ 60	\$ 358,602	\$ 14,245	\$ 372,907

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balances, December 31, 2019	36,876	\$ 37	\$ 60,742	\$ (7,970)	\$ 52,809
Common stock issued upon warrant exercise	191	—	510	—	510
Common stock issued upon cashless warrant exercise	19	—	—	—	—
Common stock issued upon cashless exercise of options	280	—	—	—	—
Common stock issued in connection with business combinations	250	—	1,102	—	1,102
Common stock issued for assets	24	—	101	—	101
Common stock issued for services	50	—	—	—	—
Common stock issued for share based compensation	519	1	1,760	—	1,761
Share based compensation	—	—	2,209	—	2,209
Net loss	—	—	—	(2,094)	(2,094)
Balances, March 31, 2020	38,209	\$ 38	\$ 66,424	\$ (10,064)	\$ 56,398
Common stock issued upon warrant exercise	81	—	282	—	282
Common stock issued upon cashless warrant exercise	78	—	—	—	—
Common stock issued upon cashless exercise of options	30	—	—	—	—
Common stock issued in connection with business combinations	108	—	705	—	705
Common stock issued for assets	10	—	67	—	67
Common stock issued for services	325	—	717	—	717
Common stock issued for share based compensation	5	—	25	—	25
Share based compensation	—	—	1,162	—	1,162
Net income	—	—	—	2,574	2,574
Balances, June 30, 2020	38,846	\$ 38	\$ 69,382	\$ (7,490)	\$ 61,930
Sale of common stock, net of offering costs	8,625	9	44,611	—	44,620
Common stock issued upon warrant exercise	88	—	272	—	272
Common stock issued upon cashless warrant exercise	570	1	(1)	—	—
Common stock issued upon cashless exercise of options	164	—	—	—	—
Common stock issued for share based compensation	120	—	44	—	44
Share based compensation	—	—	978	—	978
Net income	—	—	—	3,338	3,338
Balances, September 30, 2020	48,413	\$ 48	\$ 115,286	\$ (4,152)	\$ 111,182

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GROWGENERATION CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 16,887	\$ 3,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,510	1,270
Stock-based compensation expense	5,347	6,324
Bad debt expense, net of recoveries	304	94
Gain on asset disposition	—	(28)
Deferred taxes	1,601	—
Changes in operating assets and liabilities:		
Accounts and notes receivable	(7,828)	(885)
Inventory	(46,030)	(13,421)
Prepaid expenses and other assets	(18,960)	(3,092)
Accounts payable and accrued liabilities	26,338	6,265
Operating leases	1,013	220
Payroll and payroll tax liabilities	4,050	871
Income taxes payable	—	1,928
Customer deposits	8,419	(34)
Sales tax payable	2,215	368
Net cash provided by operating activities	1,866	3,698
Cash flows from investing activities:		
Assets acquired in business combinations	(71,813)	(4,027)
Purchase of marketable securities	(75,000)	—
Maturities from marketable securities	45,039	—
Purchase of property and equipment	(10,756)	(2,115)
Purchase of intangibles	(2,311)	(797)
Net cash used in investing activities	(114,841)	(6,939)
Cash flows from financing activities:		
Principal payments on long term debt	(38)	(75)
Common stock redeemed	(3,954)	—
Proceeds from the sale of common stock and exercise of warrants, net of expenses	2,090	45,684
Net cash provided by (used in) financing activities	(1,902)	45,609
Net change	(114,877)	42,368
Cash and cash equivalents at the beginning of period	177,912	12,979
Cash and cash equivalents at the end of period	\$ 63,035	\$ 55,347
Supplemental disclosures of non-cash activities:		
Cash paid for interest	\$ 31	\$ 20
Common stock issued for accrued payroll	\$ —	\$ 718
Common stock issued for business combination	\$ 36,250	\$ 1,808
Assets acquired by issuance of common stock	\$ —	\$ 168
Right to use assets acquired under new operating leases	\$ 26,115	\$ 2,173
Cash paid for income taxes	\$ 4,275	\$ —

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

GrowGeneration Corp. and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

1. GENERAL

GrowGeneration Corp. (the “Company”, “we”, or “our”) is the largest chain of hydroponic garden centers in North America and is a leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting,

ventilation systems and accessories for hydroponic gardening. Currently, the Company owns and operates a chain of sixty-one (61) retail hydroponic/gardening stores across 12 states, an online e-commerce platform, and proprietary businesses that market grow solutions through our platforms and other wholesale customers. The Company's plan is to continue to acquire, open and operate hydroponic/gardening stores and related businesses throughout the United States.

Basis of Presentation

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The results of operations for our interim periods are not necessarily indicative of results for the full fiscal year.

All amounts included in the accompanying footnotes to the consolidated financial statements, except per share data, are in thousands (000).

Risk and Uncertainties

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility which may negatively affect our business operations. As a result, if the pandemic or its effects persist or worsen, our accounting estimates and assumptions could be impacted in subsequent interim reports and upon final determination at year-end, and it is reasonably possible such changes could be significant (although the potential effects cannot be estimated at this time). The Company has experienced minimal business interruption as a result of the COVID-19 pandemic. We have been deemed an "essential" business by state and local authorities in the areas in which we operate and as such have not been subject to business closures. The COVID-19 pandemic to date has resulted in temporary supply chain delays of our inventory and increased shipping cost among other impacts. As events surrounding the COVID-19 pandemic can change rapidly we cannot predict how it may disrupt our operations or the full extent of the disruption.

New Accounting Policies Adopted During the Nine Months Ended September 30, 2021

Securities

The Company classifies its commercial paper and debt securities as marketable securities. Marketable securities with available fair market values are stated at fair market values. Unrealized gains and unrealized losses on these marketable securities are reported, net of applicable income taxes, in other comprehensive income. Realized gains or losses on sale of marketable securities are computed using primarily the moving average cost and reported in net income. For the nine months ended September 30, 2021, there were no significant unrealized gains or losses recorded.

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

2. FAIR VALUE MEASUREMENTS

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable, available for sales securities, accounts payable and all other current liabilities approximate fair values due to their short-term nature. The fair value of notes receivable approximates the outstanding balance and are reviewed for impairment at least annually. The fair value of impaired notes receivable is determined based on estimated future payments discounted back to present value using the notes effective interest rate.

	Level	September 30, 2021	December 31, 2020
Cash equivalents	2	\$ 63,035	\$ 177,912
Marketable securities	2	\$ 29,961	\$ —
Notes receivable impaired	3	\$ —	\$ 875

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

3. RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements

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

As an emerging growth company, the Company is permitted to delay the adoption of new or revised accounting standards until such time as those standards apply to private companies. The Company has chosen to take advantage of the extended transition period for complying with new or revised accounting standards.

Refer to Note 3 to the Consolidated Financial Statements reported in Form 10-K for the year ended December 31, 2020 for recently issued accounting pronouncements that are pending adoption.

Recently Adopted Accounting Pronouncements

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 adoption of this new guidance, effective January 1, 2020, did not have a material impact on our Financial Statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, to simplify the accounting for income taxes by removing certain exceptions to the general principles and also simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The standard was effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those periods. There was no material impact on our consolidated financial statements and related disclosures as a result of adopting this standard.

4. REVENUE RECOGNITION

The following table disaggregates revenue by source:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales at company owned stores	\$ 100,799	\$ 51,684	\$ 290,937	\$ 123,991
Distribution	4,696	—	12,519	—
E-commerce sales	10,508	3,323	28,454	7,449
Total Revenues	<u>\$ 116,003</u>	<u>\$ 55,007</u>	<u>\$ 331,910</u>	<u>\$ 131,440</u>

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

4. REVENUE RECOGNITION, continued

The opening and closing balances of the Company's customer trade receivables and customer deposit liability are as follows:

	Receivables	Customer Deposit Liability
Opening balance, January 1, 2021	\$ 7,713	\$ 5,155
Closing balance, September 30, 2021	15,237	13,743
Increase (decrease)	<u>\$ 7,524</u>	<u>\$ 8,588</u>
Opening balance, January 1, 2020	\$ 4,455	\$ 2,504
Closing balance, September 30, 2020	5,247	2,470
Increase (decrease)	<u>\$ 792</u>	<u>\$ (34)</u>

Of the total amount of customer deposit liability as of January 1, 2021, \$3,708 was reported as revenue during the nine months ended September 30, 2021. Of the total amount of customer deposit liability as of January 1, 2020, \$1,599 was reported as revenue during the nine months ended September 30, 2020.

The Company also has customer trade receivables under longer term financing arrangements at interest rates ranging from 9% to 12% with repayment terms ranging for 12 to 18 months. Long term trade receivables as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Note receivable	\$ 8,402	\$ 4,104
Allowance for losses	(118)	(292)
Notes receivable, net	<u>\$ 8,284</u>	<u>\$ 3,812</u>

The following table summarizes changes in notes receivable balances that have been deemed impaired.

	September 30, 2021	December 31, 2020
Note receivable	\$ 118	\$ 1,166
Allowance for losses	(118)	(291)
Notes receivable, net	<u>\$ —</u>	<u>\$ 875</u>

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

5. INVESTMENTS

Marketable securities have maturities of less than one year as of September 30, 2021. There were no significant realized or unrealized gains or losses for the nine months ended September 30, 2021.

The components of investments, available for sales securities, as of September 30, 2021 were as follows:

	Fair Value Level	Adjusted Cost Basis	Unrealized Gain (Loss)	Recorded Basis
Commercial paper	Level 2	\$ 9,998	\$ —	\$ 9,998
Corporate notes and bonds	Level 2	19,963	—	19,963
Marketable securities		<u>\$ 29,961</u>	<u>\$ —</u>	<u>\$ 29,961</u>

6. NOTES RECEIVABLE

Notes receivable include customer trade receivables under long term financing arrangements and other note receivables not associated with customer transactions.

	September 30, 2021	December 31, 2020
Trade receivables under longer term financing arrangements	\$ 8,284	\$ 3,812
Note receivable, non-customer related	—	—
Subtotal	8,284	3,812
Less, current portion	(7,734)	(2,612)
Notes receivable, noncurrent	<u>\$ 550</u>	<u>1,200</u>

7. PROPERTY AND EQUIPMENT

	September 30, 2021	December 31, 2020
Vehicles	\$ 2,455	\$ 1,342
Building	1,187	477
Leasehold improvements	5,485	1,988
Furniture, fixtures and equipment	9,106	5,739
Construction-in-progress	3,966	—
Total property and equipment, gross	22,199	9,546
Accumulated depreciation and amortization	(5,444)	(3,071)
Property and equipment, net	<u>\$ 16,755</u>	<u>\$ 6,475</u>

Depreciation expense for the three and nine months ended September 30, 2021 was \$932 thousand and \$2.4 million, respectively. Depreciation expense for the three and nine months ended September 30, 2020 was \$400 thousand and \$1.1 million, respectively.

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
September 30, 2021

8. GOODWILL AND INTANGIBLE ASSETS

The changes in goodwill are as follows:

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 62,951	\$ 17,799
Goodwill additions and measurement period adjustments	60,924	45,152
Balance, end of period	<u>\$ 123,875</u>	<u>\$ 62,951</u>

Intangible assets consist of the following:

	September 30, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradenames	\$ 27,144	\$ (3,584)	\$ 13,923	\$ (398)
Patents, trademarks	100	(38)	100	(9)
Customer relationships	22,057	(2,130)	6,297	(138)
Non-competes	1,146	(175)	796	(22)
Intellectual property	2,065	(241)	—	—
Capitalized software	3,811	(758)	1,163	(222)
	<u>\$ 56,323</u>	<u>\$ (6,926)</u>	<u>\$ 22,279</u>	<u>\$ (789)</u>

Amortization expense for the three months ended September 30, 2021 and 2020 was \$2.6 million and \$44.1 thousand, respectively.

Amortization expense for the nine months ended September 30, 2021 and 2020 was \$6.1 million and \$0.2 million, respectively.

Future amortization expense is as follows:

2021, remainder	\$ 2,718
2022	11,002
2023	10,707
2024	10,356
2025	9,459
Thereafter	5,155
Total	<u>\$ 49,397</u>

GrowGeneration Corporation and Subsidiaries
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9. LONG-TERM DEBT

	September 30, 2021	December 31, 2020
Long term debt is as follows:		
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	\$ —	\$ 1
Notes payable issued in connection with seller financing of assets acquired, interest at 8.125%, payable in 60 installments of \$8,440.00, due August 2023	203	240
	\$ 203	\$ 241
Less Current Maturities	(111)	(83)
Total Long-Term Debt	\$ 92	\$ 158

Interest expense for the three months ended September 30, 2021 and 2020 was \$25 thousand and \$0, respectively.

Interest expense for the nine months ended September 30, 2021 and 2020 was \$31 thousand and \$20 thousand, respectively.

10. 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 1-7 years, most of which include options to extend the leases for additional 3 to 5-year periods. Generally, the lease term is the minimum of the non-cancelable period of the lease or the lease term inclusive of reasonably certain renewal periods.

	September 30, 2021	December 31, 2020
Right to use assets, operating lease assets	\$ 36,155	\$ 12,088
Current lease liability	\$ 6,205	\$ 3,001
Non-current lease liability	31,355	9,479
	\$ 37,560	\$ 12,480

	September 30, 2021	September 30, 2020
Weighted average remaining lease term	6.89 years	2.98 years
Weighted average discount rate	6.5 %	7.6 %

	Nine Months Ended September 30, 2021	2020
Operating lease costs	\$ 5,687	\$ 2,660
Short-term lease costs	192	22
Total operating lease costs	\$ 5,879	\$ 2,682

GrowGeneration Corporation and Subsidiaries
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10. LEASES, continued

The following table presents the maturity of the Company's operating lease liabilities as of September 30, 2021:

2021 (remainder of the year)	\$	2,248
2022		8,116
2023		7,548
2024		6,320
2025		5,330
Thereafter		17,128
Total lease payments		<u>46,690</u>
Less: Imputed interest		<u>(9,130)</u>
Lease Liability at September 30, 2021	\$	<u><u>37,560</u></u>

11. SHARE BASED PAYMENTS

The Company maintains long-term incentive plans for employee, non-employee members of our Board of Directors and consultants. The plans allows us to grant equity-based compensation awards, including stock options, stock appreciation rights, performance share units, restricted stock units, restricted stock awards, or a combination of awards (collectively, share-based awards).

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 Company also issues share based payments in the form of common stock warrants to non-employees.

The following table presents share-based payment expense for the nine months ended September 30, 2021 and 2020.

	Nine months ended September 30,	
	2021	2020
Restricted stock	\$ 3,511	\$ 3,966
Stock options	721	2,358
Warrants	1,115	—
Total	<u>\$ 5,347</u>	<u>\$ 6,324</u>

As of September 30, 2021, the Company had approximately \$9.7 million of unamortized share-based compensation for option awards and restricted stock awards, which is expected to be recognized over a weighted average period of approximately 3.1 years. As of September 30, 2021, the Company also had approximately \$2.9 million of unamortized share-based compensation for common stock warrants issued to consultants, which is expected to be recognized over a weighted average period of 2.3 years.

Restricted Stock

The Company issues shares of restricted stock to eligible employees, which are subject to forfeiture until the end of an applicable vesting period. The awards generally vest on the second or third anniversary of the date of grant, subject to the employee's continuing employment as of that date.

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11. SHARE BASED PAYMENTS AND STOCK OPTIONS, continued

Restricted stock activity for the nine months ended September 30, 2021 is presented in the following table:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2020	630	\$ 4.15
Granted	250	\$ 40.56
Vested	(355)	\$ 4.48
Forfeited	(9)	\$ 18.54
Nonvested, September 30, 2021	<u>516</u>	<u>\$ 19.92</u>

The table below summarizes all option activity under all plans during the nine months ended September 30, 2021:

Options	Shares	Weight - Average Exercise Price	Weighted - Average Remaining Contractual Term	Weighted - Average Grant Date Fair Value
Outstanding at December 31, 2020	1,803	\$ 3.92	3.47	\$ 2.38
Granted	—	—	—	—
Exercised	(821)	3.20	—	1.71
Forfeited or expired	(51)	4.12	—	2.26
Outstanding at September 30, 2021	<u>931</u>	<u>\$ 4.55</u>	3.12	<u>\$ 2.62</u>
Options vested at September 30, 2021	<u>595</u>	<u>\$ 4.27</u>	3.01	<u>\$ 2.51</u>

A summary of the status of the Company's outstanding stock purchase warrants for the nine months ended September 30, 2021 is as follows:

	Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2020	1,393	\$ 7.49
Issued	—	—
Exercised	(968)	\$ 2.84
Forfeited	—	—
Outstanding at September 30, 2021	<u>425</u>	<u>\$ 17.25</u>

GrowGeneration Corporation and Subsidiaries
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12. EARNINGS PER SHARE

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 nine months ended September 30, 2021 and 2020.

	Three Months Ended	
	September 30, 2021	September 30, 2020
Net income	\$ 4,027	\$ 3,338
Weighted average shares outstanding, basic	58,531	47,878
Effect of dilution	959	3,748
Adjusted weighted average shares outstanding, dilutive	59,490	51,626
Basic earnings per share	\$ 0.07	\$ 0.07
Dilutive earnings per share	\$ 0.07	\$ 0.06

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Net income	\$ 16,887	\$ 3,818
Weighted average shares outstanding, basic	58,994	41,477
Effect of dilution	1,114	2,747
Adjusted weighted average shares outstanding, dilutive	60,108	44,224
Basic earnings per share	\$ 0.29	\$ 0.09
Dilutive earnings per share	\$ 0.28	\$ 0.09

13. ACQUISITIONS

Our acquisition strategy is primarily to acquire (i) well established profitable hydroponic garden centers in markets where the Company does not have a market presence or in markets where it is increasing its market presence; and (ii) proprietary brands and private label brands. 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 made adjustments to the preliminary valuations of the acquisition based on valuation analysis prepared by independent third-party valuation consultants. During the nine months ended September 30, 2021 our measurement period adjustments included reducing intangible assets by \$1.0 million and increasing goodwill by the same amount. As a result of these measurement period adjustments, we made an insignificant reduction in amortization expense which is included in the income statement. All acquisition costs are expensed as incurred and recorded in general and administrative expenses in the consolidated statements of operations.

Acquisitions during the nine months ended September 30, 2021

On January 25, 2021, the Company purchased the assets of Indoor Garden & Lighting, Inc, a two-store chain of hydroponic and equipment and indoor gardening supply stores serving the Seattle and Tacoma, Washington area. The total consideration for the purchase of Garden & Lighting was approximately \$1.7 million, including \$1.2 million in cash and common stock valued at approximately \$0.5 million. Acquired goodwill of approximately \$0.7 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

On February 1, 2021, the Company purchased the assets of J.A.R.B., Inc d/b/a Grow Depot Maine, a two-store chain in Auburn and Augusta, Maine. The total consideration for the purchase of Grow Depot Maine was approximately \$2.1 million, including \$1.7 million in cash and common stock valued at approximately \$0.4 million. Acquired goodwill of approximately \$0.9 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

GrowGeneration Corporation and Subsidiaries
Notes To Unaudited Condensed Consolidated Financial Statements
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13. ACQUISITIONS, continued

On February 15, 2021, the Company purchased the assets of Grow Warehouse LLC, a four-store chain of hydroponic and organic garden stores in Colorado (3) and Oklahoma (1). The total consideration for the purchase of Grow Warehouse LLC was approximately \$17.8 million, including \$8.1 million in cash and common stock valued at approximately \$9.7 million. Acquired goodwill of approximately \$11.1 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

On February 22, 2021, the Company purchased the assets of San Diego Hydroponics & Organics, a four-store chain of hydroponic and organic garden stores in San Diego, California. The total consideration for the purchase of San Diego Hydroponics was approximately \$9.3 million, including \$4.8 million in cash and common stock valued at approximately \$4.5 million. Acquired goodwill of approximately \$5.7 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

On March 12, 2021, the Company purchased the assets of Charcoir Corporation, which sells an RHP-certified growing medium made from the highest-grade coconut fiber. The total consideration for the purchase of Charcoir was approximately \$16.4 million, including \$9.9 million in cash and common stock valued at approximately \$6.5 million. Acquired goodwill of approximately \$6.1 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established distribution market for the Company of a proprietary brand.

On March 15, 2021, the Company purchased the assets of 55 Hydroponics, a hydroponic and organic superstore located in Santa Ana, California. The total consideration for the purchase of 55 Hydroponics was approximately \$6.5 million, including \$5.4 million in cash and common stock valued at approximately \$1.1 million. Acquired goodwill of approximately \$3.9 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

On March 15, 2021, the Company purchased the assets of Aquarius, a hydroponic and organic garden store in Springfield, Massachusetts. The total consideration for the purchase of Aquarius was approximately \$3.6 million, including \$2.4 million in cash and common stock valued at approximately \$1.2 million. Acquired goodwill of approximately \$1.7 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company.

On March 19, 2021, the Company purchased the assets of Agron, LLC, an online seller of growing equipment. The total consideration for the purchase of Agron was approximately \$11.3 million, including \$6 million in cash and common stock valued at approximately \$5.3 million. Acquired goodwill of approximately \$8.7 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established e-commerce market for the Company targeting the commercial customer.

On April 19, 2021, the Company purchased the assets of Grow Depot LLC ("Down River Hydro"), a hydroponic and indoor gardening supply store in Brownstown, Michigan. The total consideration for the purchase of Down River Hydro was approximately \$4.4 million, including approximately \$3.2 million in cash and common stock valued at approximately \$1.2 million. Acquired goodwill of approximately \$2.1 million represents the value expected to rise from organic growth and an opportunity to expand into a well established market for the Company.

On May 24, 2021, the Company purchased the assets of The Harvest Company ("Harvest"), a northern California-based hydroponic supply center and cultivation design innovator with stores in Redding and Trinity Counties. The total consideration for the purchase of Harvest was approximately \$8.3 million, including approximately \$5.6 million in cash and common stock valued at approximately \$2.8 million. Acquired goodwill of approximately \$4.6 million represents the value expected to rise from organic growth and an opportunity to expand into a well established market for the Company.

On July 19, 2021, the Company purchased the assets of Aqua Serene, Inc., ("Aqua Serene") an Oregon corporation which consists of an indoor/outdoor garden center with stores in Eugene and Ashland, Oregon. The total consideration for the purchase was \$11.7 million, including approximately \$9.9 million in cash and common stock valued at approximately \$1.8 million. Acquired goodwill represents the value expected to rise from organic growth and an opportunity to expand into a well established market for the Company.

GrowGeneration Corporation and Subsidiaries
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13. ACQUISITIONS, continued

On July 3, 2021, the Company purchased the assets of Mendocino Greenhouse & Garden Supply, Inc, a Northern California-based hydroponic garden center located in Mendocino, California. The purchase agreement was modified on July 19, 2021 to amend the purchase price. The total consideration for the purchase was \$4.0 million in cash. This acquisition allows the Company to expand its footprint in the Northern California.

On August 24, 2021, the Company purchased the assets of Commercial Grow Supply, Inc. ("CGS"), a hydroponic superstore located in Santa Clarita, California. The total consideration for the purchase was \$7.2 million, including approximately \$6.0 million in cash and common stock valued at approximately \$1.3 million. Acquired goodwill represents the value expected to rise from organic growth and an opportunity to expand into a well established market for the Company.

On August 23, 2021 the Company purchased the assets of Hoagtech Hydroponics, Inc. ("Hoagtech"), a Washington -based corporation consisting of a hydroponic and garden supply center serving the Bellingham, Washington area. The total consideration for the purchase was \$3.9 million in cash. The Asset Purchase Agreement contains a contingent payment equal to \$0.6 million to be settled in GrowGen common stock if this garden supply center reaches \$8.0 million in revenue within a 12-month calendar period from the date of close. The Company used a third-party specialist to value this contingent consideration. The probability that the target will be reached was determined to be 5% which resulted in a value of approximately \$29 thousand of contingent consideration which was offset against goodwill. This acquisition expands our footprint in the Pacific Northwest. Acquired goodwill represents the value expected to rise from organic growth and an opportunity to expand into a well established market for the Company.

The table below represents the allocation of the purchase price to the acquired net assets during the nine months ended September 30, 2021.

	Agron	Aquarius	Aqua Serene	55 Hydro	Charcoir	San Diego Hydro	Mendocino	Hoagtech
Inventory	\$ —	\$ 957	\$ 1,696	\$ 780	\$ 839	\$ 1,400	753	751
Prepays and other current assets	29	12	2	29	534	36	1	37
Furniture and equipment	46	63	500	50	—	315	160	144
Liabilities	—	—	—	—	—	—	—	—
Operating lease right to use asset	98	108	1,177	861	—	1,079	408	1,569
Operating lease liability	(98)	(108)	(1,177)	(861)	—	(1,079)	(408)	(1,569)
Customer relationships	832	339	1,235	809	5,712	605	575	493
Trade name	1,530	485	1,231	870	1,099	1,192	449	428
Non-compete	139	—	11	26	—	6	6	3
Intellectual property	—	—	—	—	2,065	—	—	—
Goodwill	8,673	1,702	6,976	3,915	6,119	5,728	2,056	2,076
Total	<u>\$ 11,249</u>	<u>\$ 3,558</u>	<u>\$ 11,651</u>	<u>\$ 6,479</u>	<u>\$ 16,368</u>	<u>\$ 9,282</u>	<u>\$ 4,000</u>	<u>\$ 3,932</u>

	CGS	Grow Warehouse	Grow Depot Maine	Indoor Garden	Down River Hydro	Harvest	Total
Inventory	875	\$ 2,450	\$ 326	\$ 372	\$ 824	\$ 1,204	\$ 13,227
Prepays and other current assets	1	30	3	—	3	7	724
Furniture and equipment	100	250	25	94	50	100	1,897
Liabilities	—	(169)	—	—	—	—	(169)
Operating lease right to use asset	746	641	92	137	273	3,782	10,971
Operating lease liability	(746)	(641)	(92)	(137)	(273)	(3,782)	(10,971)
Customer relationships	1,382	1,256	549	210	634	1,016	15,647
Trade name	852	2,748	344	353	698	1,392	13,671
Non-compete	11	94	36	2	16	—	350
Intellectual property	—	—	—	—	—	—	2,065
Goodwill	4,027	11,120	866	661	2,126	4,606	60,651
Total	<u>\$ 7,248</u>	<u>\$ 17,779</u>	<u>\$ 2,149</u>	<u>\$ 1,692</u>	<u>\$ 4,351</u>	<u>\$ 8,325</u>	<u>\$ 108,063</u>

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

	Agron	Aquarius	Aqua Serene	55 Hydro	Charcoir	San Diego Hydro	Mendocino	Hoagtech
Cash	\$ 5,973	\$ 2,331	\$ 9,860	\$ 5,347	\$ 9,902	\$ 4,751	\$ 4,000	\$ 3,932
Common stock	5,276	1,227	1,791	1,132	6,466	4,531	—	—
Total	\$ 11,249	\$ 3,558	\$ 11,651	\$ 6,479	\$ 16,368	\$ 9,282	\$ 4,000	\$ 3,932

	CGS	Grow Warehouse	Grow Depot Maine	Indoor Garden	Down River Hydro	Harvest	Total
Cash	5,976	\$ 8,100	\$ 1,738	\$ 1,165	\$ 3,177	\$ 5,561	\$ 71,813
Common stock	1,272	9,679	411	527	1,174	2,764	36,250
Total	\$ 7,248	\$ 17,779	\$ 2,149	\$ 1,692	\$ 4,351	\$ 8,325	\$ 108,063

The following table discloses the date of the acquisitions noted above and the revenue and earnings included in the consolidated income statement for the period ended September 30, 2021.

	Agron	Aquarius	Aqua Serene	55 Hydro	Charcoir	San Diego Hydro	Mendocino	Hoagtech
Acquisition date	3/19/2021	3/15/2021	7/19/21	3/15/2021	3/12/2021	2/22/2021	7/19/21	8/23/21
Revenue	\$ 10,587	\$ 5,555	\$ 1,590	\$ 4,482	\$ 4,048	\$ 5,525	\$ 1,085	\$ 483
Net Income	\$ 149	\$ 1,145	\$ 331	\$ 393	\$ 723	\$ 839	\$ 158	\$ 36

	CGS	Grow Warehouse	Grow Depot Maine	Indoor Garden	Down River Hydro	Harvest	Total
Acquisition date	8/24/21	2/15/2021	2/1/2021	1/25/2021	4/19/2021	5/24/21	
Revenue	\$ 447	\$ 10,153	\$ 4,660	\$ 4,508	\$ 2,460	\$ 4,444	\$ 60,027
Net Income	\$ (1)	\$ 1,812	\$ 907	\$ 520	\$ 277	\$ 756	\$ 8,045

GrowGeneration Corporation and Subsidiaries
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13. ACQUISITIONS, continued

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 three and nine months ended September 30, 2021 and 2020.

	Three Months Ended September 30, 2021 (Unaudited)		Nine Months Ended September 30, 2021 (Unaudited)	
Revenue	\$	146,030	\$	361,937
Net income	\$	5,299	\$	23,276

	Three Months Ended September 30, 2020 (Unaudited)		Nine Months Ended September 30, 2020 (Unaudited)	
Revenue	\$	121,809	\$	222,193
Net income	\$	6,412	\$	15,681

Acquisitions during the nine months ended September 30, 2020

On February 26, 2020, we acquired certain assets of Health & Harvest LLC in a transaction valued at approximately \$0.85 million. Acquired goodwill of approximately \$1.1 million represented the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company. Cash consideration was funded from the Company's existing working capital.

On June 16, 2020, we acquired certain assets of H2O Hydroponics, LLC in a transaction valued at approximately \$0.0 million. Acquired goodwill of approximately \$1.0 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company. Cash consideration was funded from the Company's existing working capital.

On August 10, 2020, we acquired certain assets of Benzakry Family Corp, d/b/a Emerald City Garden, in a transaction valued at \$1.0 million. Acquired goodwill of approximately \$0.6 million represents the value expected to rise from organic growth and an opportunity to expand into a well-established market for the Company. Cash consideration was funded from the Company's existing working capital.

The table below represents the allocation of the purchase price to the acquired net assets during the nine months ended September 30, 2020.

	Emerald City Garden		H2O Hydroponics LLC		Health & Harvest LLC		Total
Inventory	\$	150	\$	498	\$	1,054	\$ 1,702
Prepays and other current assets		—		4		—	4
Furniture and equipment		10		50		51	111
Right to use asset		140		906		324	1,370
Lease liability		(140)		(906)		(324)	(1,370)
Customer relationships		212		150		255	617
Trade name		—		234		357	591
Non-compete		14		43		6	63
Goodwill		614		1,008		1,130	2,752
Total	\$	1,000	\$	1,987	\$	2,853	\$ 5,840

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

	Emerald City Garden	H2O Hydroponics LLC	Health & Harvest LLC	Total
Cash	\$ 1,000	\$ 1,282	\$ 1,750	\$ 4,032
Common stock	—	705	1,103	1,808
Total	\$ 1,000	\$ 1,987	\$ 2,853	\$ 5,840

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 nine months ended September 30, 2020.

	Emerald City Gardens	H2O Hydroponics LLC	Health & Harvest LLC	Total
Acquisition date	8/10/20	6/26/20	2/26/2020	
Revenue	\$ 472	\$ 2,769	\$ 5,887	\$ 9,128
Earnings	\$ 74	\$ 504	\$ 831	\$ 1,409

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 nine months ended September 30, 2019.

Pro forma consolidated income statement:

	Three Months Ended September 30, 2019 (Unaudited)	Nine Months Ended September 30, 2019 (Unaudited)
Revenue	\$ 24,651	\$ 61,176
Earnings	\$ 1,220	\$ 2,603

14. RELATED PARTIES

The Company has engaged with a firm that employs an immediate family member of an officer of the Company as partner. The firm provides certain legal services. Amounts paid for to that firm in total were approximately \$32.0 thousand and \$457.8 thousand for the three and nine months ended September 30, 2021, respectively. As of September 30, 2021, there was no outstanding balance due.

15. SUBSEQUENT EVENTS

The Company has evaluated events and transaction occurring subsequent to September 30, 2021 up to the date of this filing of these consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

For all acquisitions subsequent to the end of the quarter, the Company's initial accounting for the business combination has not been completed because the valuations have not yet been received from the Company's independent valuation firm.

On October 12, 2021, the Company purchased the assets of All Seasons Gardening, an indoor-outdoor garden supply center specializing in hydroponics systems, lighting, and nutrients. All Seasons Gardening is the largest hydroponics retailer in New Mexico. The total consideration for the purchase was \$1.0 million, including approximately \$0.7 million in cash and common stock valued at approximately \$0.3 million.

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On October 12, 2021, the Company terminated a series of asset purchase agreements (the “Asset Purchase Agreements”) entered into on July 27, 2021 through its wholly-owned subsidiary, GrowGeneration Michigan Corp., to purchase the assets from subsidiaries of HGS Hydro (“HGS Hydro”). The termination of the Asset Purchase Agreement was mutually agreed to by both parties. In connection with the termination, the Company reimbursed HGS Hydro of a transaction fee of \$300,000.

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, 2020 filed with the SEC on March 29, 2021, as amended on April 14, 2021. 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 us, 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 Corp. (together with all of its wholly-owned subsidiaries, collectively "GrowGeneration" or the "Company") was incorporated in Colorado in 2014 and is the largest chain of hydroponic garden centers in North America and is a leading marketer and distributor of nutrients, growing media, advanced indoor and greenhouse lighting, environmental control systems and accessories for hydroponic gardening. GrowGeneration also owns and operates e-commerce platforms www.growgeneration.com and www.agron.io, Canopy Crop Management Corp, CharCair Inc, and several proprietary private-label brands across multiple product categories from LED lighting to nutrients and additives and environmental control systems for indoor cultivation.

Markets

GrowGeneration sells thousands of products, including nutrients, growing media, advanced indoor and greenhouse lighting, environmental control systems, vertical benching and accessories for hydroponic gardening, as well as other indoor and outdoor growing products, that are designed and intended for growing a wide range of plants. In addition, vertical farms producing organic fruits and vegetables also utilize hydroponics due to a rising shortage of farmland as well as environmental vulnerabilities including drought, other severe weather conditions and insect pests.

Our retail operations are driven by a wide selection of all hydroponic products, service and solutions driven staff and pick, pack and ship distribution and fulfillment capabilities. We employed approximately 748 employees as of September 30, 2021, a majority of them we have branded as "Grow Pros." Currently, our operations span over 950,000 square feet of retail and warehouse space.

We operate our business through the following business units:

- **Retail:** 61 operating hydroponic/gardening centers focused on serving growers and cultivators.
- **Commercial:** Sales to commercial customers, including large multi-state operators and cultivators.
- **E-Commerce/Omni-channel:** Our e-commerce operation, includes GrowGeneration.com and Agron.io, a business-to-business (B2B) online portal for commercial growers. GrowGeneration.com is currently adding "Buy online/Pick up in store" same day pick up service.
- **Proprietary Brands and Private Label:** GrowGeneration sells a variety of products, including nutrients, growing media, advanced indoor and greenhouse lighting, ventilation systems, vertical benching, environmental control systems and accessories for hydroponic gardening.

Competitive Advantages

As the largest chain of hydroponic garden centers by revenue and number of stores in the United States based on management's estimates, we believe that we have the following core competitive advantages over our competitors:

- We offer a one-stop shopping experience to all types of growers by providing “selection, service, and solutions”;
- We provide end-to-end solutions for our commercial customers from capex built-out to consumables to nourish their plants;
- We have a knowledge-based sales team, all with horticultural experience;
- We offer the options to transact online, in store, or buy online and pick up;
- We consider ourselves to be a leader of the products we offer, from launching new technologies to the development of our private label products;
- We have a professional team for mergers and acquisitions and to acquire and open new locations and successfully add them to our company portfolio; and
- We offer a program of issuing credit to licensed commercial customers based on a credit evaluation process.

Growth Strategy - Store Acquisitions and New Store Openings

Core to our growth strategy is to expand the number of our retail garden centers throughout North America. The hydroponic retail landscape is fragmented, which allows us to acquire the “best of breed” hydroponic operations. In addition to the 12 states we are currently operating in, we have identified new market opportunities in states that include Ohio, Illinois, Pennsylvania, New York, New Jersey, Mississippi and Missouri. In 2020, we opened a second hydroponic/gardening center in Tulsa, Oklahoma, a 40,000 square foot store operation and fulfillment center, and completed eight (8) acquisitions, adding 14 new locations. The Company acquired 17 new locations in the first half of 2021, three additional locations in July 2021 and two in August 2021, and has an active target pipeline of acquisitions which are planned to close in 2021.

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2021 and 2020.

Net revenue for the three months ended September 30, 2021 was approximately \$116.0 million, compared to \$55.0 million for the three months ended September 30, 2020, an increase of approximately \$61.0 million or 111%. This increase included an increase of approximately \$59.2 million related to same store sales which represented 15.7% growth year over year. Distributed sales was \$4.7 million from the acquisitions of Power Si and Charcoir. E-commerce sales increased from \$3.9 million to \$10.5 million which can be explained by \$6.0 million growth in owned e-commerce sites and \$4.5 million from the Agron acquisition.

Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2021 was approximately \$81.9 million, compared to approximately \$40.4 million for the three months ended September 30, 2020, an increase of approximately \$41.5 million or 103%. The increase in cost of goods sold was primarily due to the 111% increase in sales comparing the three months ended September 30, 2021 to the three months ended September 30, 2020.

Gross profit was approximately \$34.1 million for the three months ended September 30, 2021, compared to approximately \$14.6 million for the three months ended September 30, 2020, an increase of approximately \$19.5 million or 134%. The increase in gross profit is primarily related to the 111% increase in revenues comparing the quarter ended September 30, 2021 to the quarter ended September 30, 2020. Gross profit as a percentage of revenues was 29.4% for the three months ended September 30, 2021, compared to 26.5% for the three months ended September 30, 2020. The increase in the gross profit margin percentage is primarily due to higher increases in revenues from both private label products and distributed products which were 8.7% of revenues for the quarter ended September 30, 2021 and approximately 2% of revenues for the quarter ended September 30, 2020.

Operating Expenses

Operating expenses are comprised of store operations, selling, general, and administrative and depreciation and amortization. Operating costs were approximately \$29.4 million for the three months ended September 30, 2021 and approximately \$9.5 million for the three months ended September 30, 2020, an increase of approximately \$19.9 million or 210%.

Store operating costs were approximately \$14.8 million for the three months ended September 30, 2021, compared to \$5.0 million for the quarter ended September 30, 2020, an increase of \$9.8 million or 196%. The increase in store operating costs was directly attributable to the 111% increase in revenues, the addition of 32 locations that were added after September 30, 2020 contributed \$5.0 million of additional operating costs, and 2 locations added during the quarter ended September 30, 2020 that were open for the entire quarter ended September 30, 2021. We also incurred \$0.9 million of pre-opening expenses related to new stores.

Total corporate overhead was approximately \$14.5 million for the three months ended September 30, 2021, compared to \$4.5 million for the quarter ended September 30, 2020, an increase of \$10.1 million or 226%. Selling, general, and administrative costs were approximately \$11.0 million for the three months ended September 30, 2021, compared to approximately \$4.0 million for the three months ended September 30, 2020. Salaries expense increased to \$5.2 million from \$2.2 million primarily due to an increase in corporate staff and general and administrative expenses increased to \$3.7 million from \$0.8 million to support expanding operations. Share-based compensation increased to \$2.1 million from \$1.0 million primarily due to expanding corporate staff to support the increased operations. Depreciation expense for the period was \$0.9 million compared to \$0.4 million in the prior year. The increase in depreciation expense is attributable to the addition of new stores, an expanded fleet of vehicles to support commercial sales, and leasehold improvements to retail locations. Amortization expense for the period was \$2.6 million compared to \$44.1 thousand which was driven by the acquisition of 32 retail stores.

Other income/expense

Total other income expense was approximately \$0.4 million for the three months ended September 30, 2021, compared to \$34 thousand for the quarter ended September 30, 2020. This increase is primarily attributable to interest on notes receivable of \$0.4 million.

Income taxes

Income tax expense was \$1.1 million for the three months ended September 30, 2021, compared to \$1.8 million for the quarter ended September 30, 2020. Effective tax rate is impacted by differences in timing of expenses for share based compensation, depreciation, amortization and the impact of 162m on deductible wages. As such, the Company's taxable income varies from reported income in a material way. In addition, 25.9% of revenue for the Company is in California with a significantly higher income tax rate than other USA jurisdictions.

Net Income

Net income for the three months ended September 30, 2021 was approximately \$4.0 million, compared to net income of approximately \$3.3 million for the three months ended September 30, 2020, a increase of approximately \$0.7 million.

Comparison of the nine months ended September 30, 2021 and 2020.

Net revenue for the nine months ended September 30, 2021 was approximately \$331.9 million, compared to \$131.4 million for the nine months ended September 30, 2020, an increase of approximately \$200.5 million or 153%. The increase included an increase of approximately \$164.3 million related to same store sales which represented 38.6% growth year over year. Distributed sales was \$12.5 million from the acquisitions of Power Si and Charcoir. E-commerce sales increased from \$9.9 million to \$28.5 million which can be explained by \$17.9 million growth in owned e-commerce sites and \$10.6 million from the Agron acquisition.

Cost of Goods Sold

Cost of goods sold for the nine months ended September 30, 2021 was approximately \$236.8 million, compared to approximately \$96.3 million for the nine months ended September 30, 2020, an increase of approximately \$140.4 million or 146%. The increase in cost of goods sold was primarily due to the 153% increase in sales comparing the nine months ended September 30, 2021 to the nine months ended September 30, 2020.

Gross profit was approximately \$95.2 million for the nine months ended September 30, 2021, compared to approximately \$35.1 million for the nine months ended September 30, 2020, an increase of approximately \$60.1 million or 171%. The increase in gross profit is primarily related to the 153% increase in revenues comparing the nine months ended September 30, 2021 to the nine months ended September 30, 2020. Gross profit as a percentage of revenues was 28.7% for the nine months ended September 30, 2021, compared to 26.7% for the nine months ended September 30, 2020. The increase in the gross profit margin

percentage is primarily due to higher increases in revenues from both private label products and distributed products which were 7.5% of revenues for the nine months ended September 30, 2021 and approximately 1% of revenues for the nine months ended September 30, 2020.

Operating Expenses

Operating expenses are comprised of store operations, selling, general, and administrative and depreciation and amortization. Operating costs were approximately \$73.1 million for the nine months ended September 30, 2021 and approximately \$29.3 million for the nine months ended September 30, 2020, an increase of approximately \$43.8 million or 150%.

Store operating costs were approximately \$35.6 million for the nine months ended September 30, 2021, compared to \$12.5 million for the nine months ended September 30, 2020, an increase of \$23.1 million or 185%. The increase in store operating costs was directly attributable to the 153% increase in revenues, the addition of 32 locations that were added after September 30, 2020, and 16 locations added during the nine months ended September 30, 2020 that were open for the entire quarter ended September 30, 2021 generated an additional \$11.5 million of store operating expenses. We also incurred \$0.9 million of pre-opening expenses for new stores opened during the period.

Total corporate overhead was approximately \$37.5 million for the nine months ended September 30, 2021, compared to \$16.8 million for the nine months ended September 30, 2020, an increase of \$20.7 million or 123%. Selling, general, and administrative costs were approximately \$29.0 million for the nine months ended September 30, 2021, compared to approximately \$15.5 million for the nine months ended September 30, 2020. Salaries expense increased to \$14.9 million from \$5.9 million primarily due to an increase in corporate staff and general and administrative expenses increased to \$8.8 million from \$3.2 million to support expanding operations. These increases were partially offset by a decrease in share-based compensation to \$5.3 million from \$6.3 million primarily due to new executive compensation agreements effective January 1, 2020 that had front loaded vesting provisions for shares and options that vested January 1, 2020 for which the remaining vesting was over a two-year period.

Other income/expense

Total other income/expense was approximately \$0.4 million for the nine months ended September 30, 2021, compared to expense of \$22.0 thousand for the nine months ended September 30, 2020. This increase is primarily attributable to interest on notes receivable of \$0.4 million.

Income taxes

Income tax expense was \$5.6 million for the nine months ended September 30, 2021, compared to \$2.0 million for the nine months ended September 30, 2020. Effective tax rate is impacted by differences in timing of expenses for share based compensation, depreciation, amortization and the impact of 162m on deductible wages. As such, the company's taxable income varies from reported income in a material way. In addition, 26.4% of revenue for the company is in California with a significantly higher income tax rate than other USA jurisdictions.

Net Income

Net income for the nine months ended September 30, 2021 was approximately \$16.9 million, compared to a net income of approximately \$3.8 million for the nine months ended September 30, 2020, a increase of approximately \$13.1 million.

Operating Activities

Net cash provided by operating activities for nine months ended September 30, 2021 was approximately \$1.9 million compared to \$3.7 million for the nine months ended September 30, 2020. Cash used in inventory increase was primarily attributable to our additional store count, \$13.0 million associated with growing the offerings of private label. In addition, we have used our capital capabilities to secure production of product overseas through prepaid inventory purchase commitments with long lead times in advance of spring 2022 needs. Cash used in accounts and notes receivable increases were primarily driven by our increased store count and related increase in store count. The increase in cash used for prepaids and other assets is primarily driven by an increase in prepayments for inventory not yet received at warehouse or store locations.

Net cash used in investing activities was approximately \$114.8 million for the nine months ended September 30, 2021 and approximately \$6.9 million for the nine months ended September 30, 2020. Investing activities in 2021 were primarily attributable to acquisitions of \$71.8 million, purchase of marketable securities of \$75.0 million, vehicles and store equipment

purchases \$10.8 million and intangible asset purchases of \$2.3 million. Investing activities for the nine months ended September 30, 2020 were primarily related to store acquisitions of \$4.0 million, the purchase of vehicles and store equipment to support new store operations of \$2.1 million and intangible assets of \$0.8 million.

Net cash used in financing activities for the nine months ended September 30, 2021 was approximately \$1.9 million and was primarily attributable to stock redemptions partially offset by the proceeds from the sales of common stock and exercise of warrants. Net cash provided by financing activities for nine months ended September 30, 2020 was \$45.6 million and was primarily from proceeds from the sale of common stock and exercise of warrants.

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 September 30,			
	2021		2020	
	(000)		(000)	
Net income	\$	4,027	\$	3,338
Income taxes		1,096		1,799
Interest expense		25		—
Depreciation and Amortization		3,539		443
EBITDA	\$	8,687	\$	5,580
Share based compensation (option compensation, warrant compensation, stock issued for services)		2,106		1,022
Adjusted EBITDA	\$	10,793	\$	6,602
Adjusted EBITDA per share, basic	\$	0.18	\$	0.14
Adjusted EBITDA per share, diluted	\$	0.18	\$	0.13

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

	Nine Months Ended September 30,	
	2021	2020
	(000)	(000)
Net income	\$ 16,887	\$ 3,818
Income taxes	5,569	1,955
Interest	31	20
Depreciation and Amortization	8,510	1,270
EBITDA	\$ 30,997	\$ 7,063
Share based compensation (option compensation, warrant compensation, stock issued for services)	5,347	6,324
Adjusted EBITDA	36,344	\$ 13,387
Adjusted EBITDA per share, basic	\$ 0.62	\$ 0.32
Adjusted EBITDA per share, diluted	\$ 0.60	\$ 0.30

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2021, we had working capital of approximately \$179.2 million, compared to working capital of approximately \$222.9 million as of December 31, 2020, a decrease of approximately \$43.7 million. The decrease in working capital from December 31, 2020 to September 30, 2021 was due primarily to business acquisition completed during the nine months ended September 30, 2021 for which the cash consideration was approximately \$71.8 million. This decrease in working capital related to business acquisitions was partially offset by an increase in inventory associated with more locations and our ability to leverage greater bulk purchasing due to our growth. At September 30, 2021, we had cash and cash equivalents of approximately \$63.0 million and available for sale debt securities of \$30.0 million. Currently, we have no extraordinary demands, commitments or uncertainties that would reduce our current working capital. Our core strategy continues to focus on expanding our geographic reach across the United States through organic growth and acquisitions. Based on our strategy we may need to raise additional capital in the future through equity offerings and/or debt financings. We believe that some of our store acquisitions and new store openings can come from cash flow from operations.

We anticipate that we may 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.

Critical Accounting Policies, Judgements and Estimates

For a summary of the Company's significant accounting policies, please refer to Note 2 to our Consolidated Financial Statements filed on our Form 10-K for the year ended December 31, 2020.

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 making this assessment, management used the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on evaluation under these criteria, management determined, based upon the existence of the material weaknesses described below, that we did not maintain effective internal control over financial reporting as of September 30, 2021.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

The Company did not design and implement effective control activities based on the criteria established in the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) selecting and developing control activities and information technology that contribute to the mitigation of risks and support achievement of objectives; and (ii) deploying control activities through policies that establish what is expected and procedures that put policies into action.

The following were contributing factors to the material weaknesses in control activities:

- Insufficient resources within the accounting and financial reporting department to review the accounting implications of complex transactions.
- Inadequate segregation of duties within the bank accounts.
- Ineffective information technology general controls (ITGCs) in the areas of user access over certain information technology (IT) systems that support the Company's financial reporting processes.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the implementation of remediation plans for the deficiency to address the material weakness identified.

Remediation Plan and Status

Our remediation efforts are ongoing and we will continue our initiatives to implement and document policies, procedures, and internal controls. Remediation efforts will include but are not limited to new hires in critical positions to improve segregation of duties, supervision and oversight, as well as implementation of technologies to improve effective controls.

Remediation of the identified material weaknesses and strengthening our internal control environment will require a substantial effort throughout 2021 and beyond, as necessary. We will test the ongoing operating effectiveness of the new and existing controls in future periods. The material weaknesses cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

While we believe the steps taken to date and those planned for implementation will improve the effectiveness of our internal control over financial reporting, we have not completed all remediation efforts identified herein. Accordingly, as we continue to monitor the effectiveness of our internal control over financial reporting in the areas affected by the material weaknesses described above, we have and will continue to perform additional procedures prescribed by management, including the use of manual mitigating control procedures and employing any additional tools and resources deemed necessary, to ensure that our consolidated financial statements are fairly stated in all material respects.

Inherent Limitations on Effectiveness of Controls

Management, including our CEO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a

control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our organization have been or will be prevented or detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The COVID-19 coronavirus pandemic could have a material negative effect on our results of operations, cash flows, financial position, and business operations.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility which may negatively affect our business operations.

We are unable to predict the impact that COVID-19 will have on our results of operations, cash flows, financial position, and business operations due to numerous uncertainties. These uncertainties include, but are not limited to: the severity of the virus; the duration of the pandemic; governmental actions which include restrictions on our operations up to and including potential closure of our stores and distribution centers; the duration and degree of quarantine or shelter-in-place measures, including additional measures that may still occur; impacts on our supply chain which include suppliers of our products and our transportation vendors; the health of our workforce and our ability to maintain staffing needs to operate our business; how macroeconomic factors evolve including unemployment rates and recessionary pressures; the impact of the crisis on consumer shopping patterns, both during and after the crisis; volatility in the economy as well as the credit and financial markets during and after the pandemic; the incremental costs of doing business during the crisis as well as on a long-term basis; potential increases in insurance premiums, medical claims costs, and workers' compensation claim costs; unknown consequences on our business performance and initiatives stemming from the substantial investment of time and other resources to the pandemic response; potential delays in growth initiatives including the timing of new store openings; potential adverse effects on our internal control environment and information security as a result of changes to a remote work environment; and the long-term impact of the crisis on our business.

In addition, we cannot predict the impact that the pandemic will have on our manufacturers and suppliers of our products and other business partners such as service vendors; however, any material effect on these parties could adversely impact our results of operations and our ability to operate our business effectively.

The COVID-19 coronavirus pandemic could have a material negative effect on our supply chain.

Circumstances surrounding and related to the COVID-19 pandemic have created unprecedented impacts on the global supply chain. Our business relies on an efficient and effective supply chain, including the manufacture and transportation of our products as well as the effective functioning of our distribution centers. Impacts related to the COVID-19 pandemic are placing strain on the domestic and international supply chain that could negatively affect the flow or availability of our products and result in higher out-of-stock inventory positions due to difficulties in timely obtaining product from the manufacturers and suppliers of our products as well as transportation of those products to our distribution centers and stores. Further, we may have to source products from different manufacturers or geographic locations which could result in, among other things, higher product costs, increased transportation costs, delays in receiving products or lower quality of the products.

Any of these circumstances could adversely affect our ability to deliver inventory in a timely manner, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation.

Actions taken to protect the health and safety of our team members and customers during the COVID-19 coronavirus pandemic have increased our operating costs and may not be sufficient to protect against operational or reputational harm to our business.

In response to the COVID-19 pandemic, we have taken a number of actions across our business to help protect our team members, customers, and others in the communities we serve. These measures include personal protective equipment for our team members, a requirement to wear masks in our facilities, increased staffing in order to provide contact-free curbside pickup from stores, expansion of our capabilities to support delivery to customer homes, increased cleaning and sanitizing measures, and monitoring for "social distancing" directives, as well as additional cleaning materials in our facilities. Additionally, we have provided appreciation bonuses as well as permanent increases in compensation and benefits for our team members in our stores and distribution centers to further support them during and after the COVID-19 pandemic. Actions such as these have

resulted in significant incremental costs and we expect that we will continue to incur these costs for the foreseeable future, which in turn will have an adverse impact on our results of operations.

The health and safety of our team members and customers are of primary concern to our management team. However, due to the unpredictable nature of this virus and the consequences of our actions, we may see unexpected outcomes notwithstanding our added safety measures. For instance, if we do not respond appropriately to the pandemic, or if our customers do not participate in “social distancing” and other safety measures, the well-being of our team members and customers could be jeopardized. Furthermore, any failure to appropriately respond, or the perception of an inadequate response, could cause reputational harm to our brand and subject us to claims and litigation from team members, customers and service providers.

Additionally, an outbreak of confirmed cases of COVID-19 in our stores or distribution centers could result in temporary or sustained workforce shortages or facility closures which would negatively impact our underlying business and results of operations.

There may be limitations on the effectiveness of our internal controls. Failure of our internal control over financial reporting could harm our business and financial results.

Proper systems of internal controls over financial accounting and disclosure are critical to the operation of a public company. Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of the financial statements; providing reasonable assurance that receipts and expenditures of our assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements would be prevented or detected on a timely basis. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud.

Moreover, we do not expect that disclosure controls or internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially adversely impact us.

In connection with the evaluation of our internal control over financial reporting as of December 31, 2020 that was undertaken by management, management identified the following material weaknesses in our control activities: i) insufficient resources within the accounting and financial reporting department to review the accounting for warrant compensation accounting, share-based compensation accounting, and accounting for rebates; ii) inadequate segregation of duties within the bank accounts; and ineffective information technology general controls (ITGCs) in the areas of user access over certain information technology (IT) systems that support the Company’s financial reporting processes. Based upon the existence of such material weaknesses, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020.

We have adopted a remediation plan and are in the process of implementing such plan. Remediation efforts will include but are not limited to new hires in critical positions to improve segregation of duties, supervision and oversight, as well as implementation of technologies to improve effective controls. Remediation of the identified material weaknesses and strengthening our internal control environment will require a substantial effort throughout 2021 and beyond, as necessary. We will test the ongoing operating effectiveness of the new and existing controls in future periods. The material weaknesses cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

While we believe the steps taken to date and those planned for implementation will improve the effectiveness of our internal control over financial reporting, we have not completed all remediation efforts identified herein. Accordingly, as we continue to monitor the effectiveness of our internal control over financial reporting in the areas affected by the material weaknesses described above, we have and will continue to perform additional procedures prescribed by management, including the use of manual mitigating control procedures and employing any additional tools and resources deemed necessary, to ensure that our consolidated financial statements are fairly stated in all material respects.

If we are unable to assert that our internal control over financial reporting is effective, or, if applicable, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Common Stock to decline.

We are subject to collection risk that can impact the results of our operations.

The Company extends credit to customers in the ordinary course of its business in the form of accounts receivable and promissory notes. The Company seeks to ensure its customers are creditworthy before extending credit, but the Company cannot guarantee it will receive repayment in full. The industries we serve are also newer and more fragmented, and some of our counter parties are smaller and/or newer businesses and therefore may be higher credit risk. In addition, the company may seek to strategically deploy capital in new markets into which, or with new business partners with whom, the company intends to expand its business, which new markets or partners may present higher risk.

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

On July 1, 2021, the Company purchased the assets of Aqua Serene, Inc., ("Aqua Serene") an Oregon corporation which consists of an indoor/outdoor garden center with stores in Eugene and Ashland, Oregon. The total consideration for the purchase was \$11.7 million, including approximately \$9.9 million in cash and 46,554 shares of common stock valued at approximately \$1.8 million.

On August 23, 2021, the Company purchased the assets of Commercial Grow Supply, Inc. ("CGS"), a hydroponic superstore located in Santa Clarita, California. The total consideration for the purchase was \$7.2 million, including approximately \$6.0 million in cash and common stock valued at approximately \$1.3 million.

On October 12, 2021, the Company purchased the assets of All Seasons Gardening, an indoor-outdoor garden supply center specializing in hydroponics systems, lighting, and nutrients. All Seasons Gardening is the largest hydroponics retailer in New Mexico. The total consideration for the purchase was \$1.0 million, including approximately \$0.7 million in cash and common stock valued at approximately \$0.3 million.

The above issuances were made by the Company pursuant to registration exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On October 12, 2021, the Company terminated a series of asset purchase agreements (the "Asset Purchase Agreements") entered into on July 27, 2021 through its wholly-owned subsidiary, GrowGeneration Michigan Corp., to purchase the assets from subsidiaries of HGS Hydro ("HGS Hydro"). The termination of the Asset Purchase Agreement was mutually agreed to by both parties. In connection with the termination, the Company reimbursed HGS Hydro of a transaction fee of \$300,000.

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)
10.1	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Walled Lake LLC
10.2	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Sterling Heights LLC
10.3	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Albion LLC
10.4	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Shelby LLC
10.5	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Southfield LLC
10.6	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Hazel Park Lake LLC
10.7	Form of termination of the Asset Purchase Agreement, dated October 12, 2021, by and among GrowGeneration Michigan Corp., GrowGeneration Corp. and HGS Imlay City LLC
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.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on November 12, 2021.

GrowGeneration Corporation

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

By: /s/ Jeff Lasher
Jeff Lasher, Chief Financial Officer
(Principal Accounting Officer and
Principal Financial Officer)

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Walled Lake LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR



WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) If any term or provision of this Termination Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

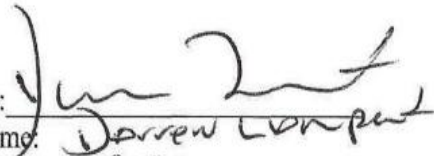
(i) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation, and execution of this Termination Agreement (including the fees and expenses of its advisors, accounts, and legal counsel).

(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Seller acknowledges that Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay an affiliate of Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Long
Title: CEO

HGS WALLED LAKE LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: RockY Shaeena
Title: Managing Member

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Sterling Heights LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR

WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

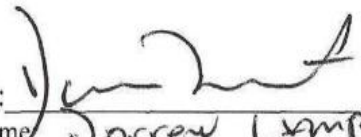
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(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Lampert
Title: CEO

HGS STERLING HEIGHTS, LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Managing Member

7

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Albion LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

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3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR



WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) If any term or provision of this Termination Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

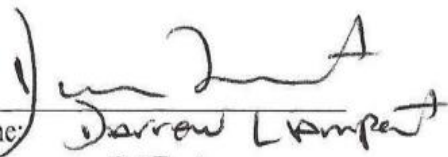
(i) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation, and execution of this Termination Agreement (including the fees and expenses of its advisors, accounts, and legal counsel).

(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Seller acknowledges that Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay an affiliate of Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darrow Lampert
Title: CEO

HGS ALBION LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Managing Member

1. The first part of the document is a list of the names of the people who were present at the meeting. This list is followed by a description of the meeting and the topics that were discussed. The meeting was held on the 15th of the month and was attended by a number of people who were interested in the subject of the meeting. The topics that were discussed were the current state of the world and the future of the world. The meeting was a very successful one and it was a pleasure to be able to discuss these topics with so many people who were interested in them.

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Shelby, LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR

WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) If any term or provision of this Termination Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

(i) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation, and execution of this Termination Agreement (including the fees and expenses of its advisors, accounts, and legal counsel).

(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay to Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Campbell
Title: CEO

HGS SHELBY, LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Authorized Member

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Southfield, LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR



WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) If any term or provision of this Termination Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

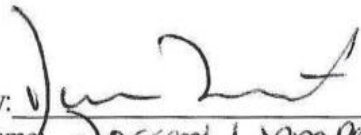
(i) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation, and execution of this Termination Agreement (including the fees and expenses of its advisors, accounts, and legal counsel).

(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Seller acknowledges that Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay an affiliate of Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Lumpert
Title: CEO

HGS SOUTHFIELD, LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Authorized Member

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Hazel Park LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR

WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(f) If any term or provision of this Termination Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

(i) Each Party shall pay its own costs and expenses in connection with the drafting, negotiation, and execution of this Termination Agreement (including the fees and expenses of its advisors, accounts, and legal counsel).

(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Seller acknowledges that Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay an affiliate of Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Lampert
Title: CEO

HGS HAZEL PARK LLC

By: Rocky Shaeena
Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Managing Member

TERMINATION AGREEMENT

This Termination Agreement, dated as of October 12, 2021 (the "**Termination Agreement**"), between GrowGeneration USA, Inc., a Delaware corporation and the successor by merger of GrowGeneration Michigan Corp., a Delaware corporation ("**Buyer**"), and HGS Imlay City LLC, a Michigan limited liability company ("**Seller**"), and together with Buyer, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into an Asset Purchase Agreement, dated as of July 27, 2021 (the "**Agreement**"); and

WHEREAS, the Parties hereto desire to terminate the Agreement on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6.1 of the Agreement, the Parties may terminate the Agreement by mutual written consent.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Termination Agreement have the respective meanings assigned to them in the Agreement.

2. Termination of the Agreement. Subject to the terms and conditions of this Termination Agreement, the Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Agreement will be of no further force or effect, and the rights and obligations of each of the Parties thereunder shall terminate, except for (a) any rights and obligations of the Parties that are expressly designated under Section 6.2 to survive the termination of the Agreement and (b) any other rights and obligations of the Parties that come into being or effect upon the termination of the Agreement, in each case under clause (a) and clause (b), subject to the terms and conditions of this Termination Agreement.

3. Mutual Release.

(a) In consideration of the covenants, agreements, and undertakings of the Parties under this Termination Agreement, each Party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "**Releasors**") hereby releases, waives, and forever discharges the other Party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "**Releasees**") of and from any and all actions, causes of action, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, obligations, costs, expenses, liens, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands, of every kind and nature whatsoever, whether now known or

unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law, admiralty, or equity (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of or relating to the Agreement, except for any Claims relating to rights and obligations preserved by, created by, or otherwise arising out of this Termination Agreement including any surviving indemnification obligations under the Agreement.

(b) Each Party, on behalf of itself and each of its respective Releasors, understands that it may later discover Claims or facts that may be different than, or in addition to, those that it or any other Releasor now knows or believes to exist regarding the subject matter of the release contained in this Section 3, and which, if known at the time of signing this Termination Agreement, may have materially affected this Termination Agreement and such Party's decision to enter into it and grant the release contained in this Section 3. Nevertheless, the Releasors intend to fully, finally and forever settle and release all Claims that now exist, may exist or previously existed, as set forth in the release contained in this Section 3, whether known or unknown, foreseen or unforeseen, or suspected or unsuspected, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such additional or different facts. The Releasors hereby waive any right or Claim that might arise as a result of such different or additional Claims or facts.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, corporate power, and authority to enter into this Termination Agreement and to perform its obligations hereunder.

(b) The execution of this Termination Agreement by the individual whose signature is set forth at the end of this Termination Agreement on behalf of such Party, and the delivery of this Termination Agreement by such Party, have been duly authorized by all necessary corporate action on the part of such Party.

(c) This Termination Agreement has been executed and delivered by such Party and (assuming due authorization, execution, and delivery by the other Party hereto) constitutes the legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws and equitable principles related to or affecting creditors' rights generally or the effect of general principles of equity.

(d) Each Party affirms that it has not filed with any governmental agency or court any type of action or report against the other Party.

(e) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THE AGREEMENT AND IN THIS SECTION 4 OF THIS TERMINATION AGREEMENT, (A) NEITHER PARTY HERETO NOR ANY PERSON ON SUCH PARTY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR



WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY HERETO ACKNOWLEDGES THAT, IN ENTERING INTO THIS TERMINATION AGREEMENT, IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH OTHER PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS SECTION 4.

5. Confidentiality. Subject to the terms and conditions of Section 6(a), each Party acknowledges the confidential nature of the terms and conditions of this Termination Agreement, the Agreement, and any and all non-public, proprietary, and/or confidential information concerning the Parties, their affiliates and businesses that has been furnished in connection with the transaction contemplated by the Agreement, regardless of the form in which such information is communicated or maintained (collectively, the "**Confidential Information**"). Each Party agrees that it shall not (a) disclose any of such Confidential Information to any person or entity, except to such Party's affiliates, employees, advisors and other representatives who need to know the Confidential Information to assist such Party, or act on its behalf, to exercise its rights or perform its obligations under this Termination Agreement, or (b) use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Termination Agreement. Each Party agrees to return or destroy any and all Confidential Information of the other Party in its possession, except to the extent required by Law. Each Party shall be responsible for any breach of this Section 5 caused by any of its affiliates, employees, advisors, or other representatives. Notwithstanding the foregoing, if any Confidential Information is permissibly disclosed pursuant to Section 6(a), such information will no longer be deemed "Confidential Information" for the purposes of this Section 5.

6. Publicity and Announcements.

(a) Neither Party shall (orally or in writing) publicly disclose or issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Termination Agreement or the subject matter hereof, without the prior written approval of the other Party, except to the extent that such Party is required to make any public disclosure or filing with respect to the subject matter of this Termination Agreement (i) by applicable law, or (ii) pursuant to any rules or regulations of any securities exchange of which the securities of such party or any of its affiliates are listed or traded or (iii) in connection with enforcing its rights under this Termination Agreement.

(b) During the period beginning on the full execution of this Termination Agreement and ending on the fifth anniversary of the Termination Date, neither Party shall make, publish, or communicate to any person or entity or in any public forum any comments or statements (written or oral) that intentionally seek to denigrate or disparage, or are detrimental to, the reputation or stature of the other Party or its businesses, or any of its employees, directors and officers, and existing and prospective customers, suppliers, investors and other associated third parties.

(c) Buyer represents that it has not utilized or initiated any geofencing since its execution of the Agreement to market/advertise its business within 15 miles of Seller's existing locations ("**Geofencing**").

7. Miscellaneous.

(a) All notices, requests, consents, claims, demands, waivers, summons, and other legal process, and other similar types of communications hereunder (each, a "**Notice**") must be in writing and addressed to the relevant Party at the address set forth on the first page of this Termination Agreement (or to such other address that may be designated by the receiving Party from time to time in accordance with this Section 7(a)). All Notices must be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), or certified or registered mail (in each case, return receipt requested, postage prepaid). A Notice is effective only (i) upon receipt by the receiving Party and (ii) if the Party giving the Notice has complied with the requirements of this Section 7a).

(b) This Termination Agreement and all related documents and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of Michigan, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of Michigan. In the event of a dispute arising in any manner to this Termination Agreement, any and all actions, whether arising in law or equity, must be brought in a Court in Oakland County, Michigan, or a federal court in the Eastern District of Michigan, and the Parties irrevocably consent to the jurisdiction therein.

(c) This Termination Agreement and each of the terms and provisions hereof may only be amended, modified, waived, or supplemented by an agreement in writing signed by each Party.

(d) Neither Party may assign, transfer, or delegate any or all of its rights or obligations under this Termination Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Termination Agreement to an affiliate, a successor-in-interest by consolidation, merger, or operation of law or to a purchaser of all or substantially all of the Party's assets. No assignment will relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer, or other conveyance in violation of the foregoing will be null and void. This Termination Agreement will inure to the benefit of and be binding upon each of the Parties and each of their respective permitted successors and permitted assigns.

(e) The Parties drafted this Termination Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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any other term or provision of this Termination Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Each Party acknowledges and agrees that (i) a breach or threatened breach by such party of any of its obligations under this Termination Agreement would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (ii) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party will, in addition to any and all other rights and remedies that may be available to such party at law, in equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that it shall not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 7(g). In any action to enforce any terms of this Termination Agreement, the successful party shall be entitled to and shall receive or be ordered payment of all costs and expenses, including attorney's fees, incurred in enforcing the terms of this Agreement, in addition to any damages that such party is found to be entitled to.

(h) This Termination Agreement constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

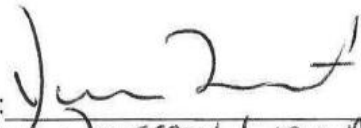
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(j) As material consideration for the covenants, agreements, and undertakings of the Parties under this Termination Agreement, Seller acknowledges that Buyer shall, within three (3) business days following the full execution of this Termination Agreement, pay an affiliate of Seller (via wire transfer) reimbursement of its transaction fees on a non-accountable basis an amount equal to \$300,000 dollars.

(k) This Termination Agreement may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Termination Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Termination Agreement.

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement as of the date first written above.

GROWGENERATION USA INC.

By: 
Name: Darren Lampert
Title: CEO

HGS IMLAY CITY LLC

By: Rocky Shaeena
By: Rocky Shaeena (Oct 13, 2021 10:19 EDT)
Name: Rocky Shaeena
Title: Managing Member

**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, 2021 of GrowGeneration Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2021

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

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

I, Jeff Lasher, certify that:

1. I have reviewed this Form 10-Q for the fiscal quarter ended June 30, 2021 of GrowGeneration Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 12, 2021

By: /s/ Jeff Lasher

Jeff Lasher, Chief Financial Officer
(Principal Financial Officer)

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

In connection with the accompanying Quarterly Report on Form 10-Q of GrowGeneration Corporation (the “Company”) for the fiscal quarter ended June 30, 2021, 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, 2021, 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 June 30, 2021, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

November 12, 2021

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

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

In connection with the accompanying Quarterly Report on Form 10-Q of GrowGeneration Corporation (the “Company”) for the fiscal quarter ended June 30, 2021, I, Jeff Lasher, 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, 2021, 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, 2021, fairly presents, in all material respects, the financial condition and results of operations of GrowGeneration Corporation.

November 12, 2021

By: /s/ Jeff Lasher
Jeff Lasher, Chief Financial Officer
(Principal Financial Officer)