IN THE SUPREME COURT OF THE STATE OF NEVADA

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Electronically Filed
May 13 2021 11:45 a.m.
Elizabeth A. Brown
Clerk of Supreme Court

AEROGROW INTERNATIONAL, INC., Petitioner, vs. EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA, IN AND FOR CLARK COUNTY, THE HONORABLE ELIZABETH GONZALEZ, Respondents, and BRADLEY LOUIS RADOFF, FRED M. ADAMCYZK, THOMAS C. ALBANESE, WILLIAM A. ALMOND, III, MICHAEL S. BARISH, GEORGE C. BETKE, JR. 2019 TRUST, DIANA BOYD, ANNE CAROL DECKER, THOMAS H. DECKER, THE DEUTSCH FAMILY TRUST, JOHN C. FISCHER, ALFREDO GOMEZ, ALFREDO GOMEZ FMT CO CUST IRA ROLLOVER, LAWRENCE GREENBERG, PATRICIA GREENBERG, KAREN HARDING, H.L. SEVERANCE, INC. PROFIT SHARING PLAN & TRUST, H.L. SEVERANCE, INC. PENSION PLAN & TRUST, DANIEL G. HOFSTEIN, KEVIN JOHNSON, CANDICE KAYE, LAURA J. KOBY, CAROLE	Case Number: District Court Case Number: A-21-827665-B (**Lead Case**), Dept. XI **PETITIONERS' APPENDIX (VOLUME 5 OF 12)** **FOR WRIT OF MANDAMUS TO REVERSE DISTRICT COURT'S ORDER GRANTING JOINT MOTION TO COMPEL**

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L. MCLAUGHLIN, BRIAN PEIERLS, JOSEPH E. PETER, ALEXANDER PERELBERG, AMY PERELBERG, DANA PERELBERG, GARY PERELBERG, LINDA PERELBERG, THE REALLY COOL GROUP, RICHARD ALAN RUDY REVOCABLE LIVING TRUST, JAMES D. RICKMAN, JR., JAMES D. RICKMAN, JR. IRREVOCABLE TRUST, PATRICIA D. RICKMAN IRREVOCABLE TRUST, ANDREW REESE RICKMAN TRUST, SCOTT JOSEPH RICKMAN IRREVOCABLE TRUST, MARLON DEAN ALESSANDRA TRUST, BRYAN ROBSON, WAYNE SICZ IRA, WAYNE SICZ ROTH IRA, THE CAROL W. SMITH REVOCABLE TRUST, THOMAS K. SMITH, SURAJ VASANTH, CATHAY C. WANG, LISA DAWN WANG, DARCY J. WEISSENBORN, THE MARGARET S. WEISSENBORN REVOCABLE TRUST, THE STANTON F. WEISSENBORN IRA, THE STANTON F. WEISSENBORN REVOCABLE TRUST, THE STANTON F. WEISSENBORN IRREVOCABLE TRUST, THE NATALIE WOLMAN LIVING TRUST, ALAN BUDD ZUCKERMAN, JACK WALKER, STEPHEN KAYE, THE MICHAEL S. BARISH IRA, AND THE ALEXANDER PERELBERG IRA,

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CERTIFICATE OF SERVICE

Pursuant to Nev. R. App. P. 25, I certify that I am an employee of Brownstein Hyatt Farber Schreck, LLP, and that on this 13th day of May, 2021, I electronically filed, served, and sent via United States Mail a true and correct copy of the above and forgoing that, in accordance therewith, I caused a copy of the **PETITIONERS' APPENDIX (VOLUME 5 of 12) FOR WRIT OF MANDAMUS TO REVERSE DISTRICT COURT'S ORDER GRANTING JOINT MOTION TO COMPEL** to be hand delivered, in a sealed envelope, on the date and to the addressee(s) shown below:

Court:

Judge Elizabeth Gonzalez
Eighth Judicial District of Clark County
Regional Justice Center
200 Lewis Ave.
Las Vegas, NV 89155

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THOMAS H. DECKER, THE DEUTSCH FAMILY TRUST, JOHN C. FISCHER, ALFREDO GOMEZ, ALFREDO GOMEZ FMT CO CUST IRA ROLLOVER, LAWRENCE GREENBERG, PATRICIA GREENBERG, KAREN HARDING, H.L. SEVERANCE, INC. PROFIT SHARING PLAN & TRUST, H.L. SEVERANCE, INC. PENSION PLAN & TRUST, DANIEL G. HOFSTEIN, KEVIN JOHNSON, CANDICE KAYE, LAURA J. KOBY, CAROLE L. MCLAUGHLIN, BRIAN PEIERLS, JOSEPH E. PETER, ALEXANDER PERELBERG, AMY PERELBERG, DANA PERELBERG, GARY PERELBERG, LINDA PERELBERG, THE REALLY COOL GROUP, RICHARD ALAN RUDY REVOCABLE LIVING TRUST, JAMES D. RICKMAN, JR., JAMES D. RICKMAN, JR. IRREVOCABLE TRUST, PATRICIA D. RICKMAN IRREVOCABLE TRUST, ANDREW REESE RICKMAN TRUST, SCOTT JOSEPH RICKMAN IRREVOCABLE TRUST, MARLON DEAN ALESSANDRA TRUST, BRYAN ROBSON, WAYNE SICZ IRA, WAYNE SICZ ROTH IRA, THE CAROL W. SMITH REVOCABLE TRUST, THOMAS K. SMITH, SURAJ VASANTH, CATHAY C. WANG, LISA DAWN WANG, DARCY J. WEISSENBORN, THE MARGARET S. WEISSENBORN REVOCABLE TRUST, THE STANTON F. WEISSENBORN IRA, THE STANTON F. WEISSENBORN REVOCABLE

TRUST, THE STANTON F. WEISSENBORN IRREVOCABLE TRUST, THE NATALIE WOLMAN LIVING TRUST, ALAN BUDD ZUCKERMAN, JACK WALKER, STEPHEN KAYE, THE MICHAEL S. BARISH IRA, AND THE ALEXANDER PERELBERG IRA

/s/ Wendy Cosby

An employee of Brownstein Hyatt Farber Schreck, LL

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The following table sets forth the multiples indicated by this analysis, including the range of selected multiples relative to the selected companies, which reflects the first quartile, median, mean and third quartile metrics of such companies, and the multiples implied by the Merger:

	EV / EBITDA	
	CY2020E	CY2021E
Sub-$500 Equity Value		
1st Quartile	5.2x	4.5x
Mean	6.8x	5.3x
Median	6.4x	4.9x
3rd Quartile	7.1x	6.0x
Overall		
1st Quartile	6.3x	4.9x
Mean	8.4x	7.3x
Median	7.8x	6.5x
3rd Quartile	10.9x	9.2x

This analysis resulted in the following ranges of implied equity values per share of the Company's common stock:

	Implied Stock Price	
	CY2020E	CY2021E
Sub-$500 Equity Value		
1st Quartile	$ 1.45	$ 1.77
3rd Quartile	$ 1.96	$ 2.34
Overall		
1st Quartile	$ 1.74	$ 1.94
3rd Quartile	$ 3.01	$ 3.58

Stifel noted that the Merger Consideration falls within the range of implied equity values per share implied by this analysis.

No company utilized in the selected company analysis is identical to the Company. In evaluating the selected companies, Stifel made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions, and other matters, many of which are beyond the Company's control, such as the impact of competition on its business and the industry generally, industry growth and the absence of any adverse material change in the Company's financial condition and prospects or the industry or in the financial markets in general. For example, Stifel considered that the COVID-19 pandemic has had a favorable impact on the housewares industry in general and the Company in particular, but that it was not possible to predict whether the environment created by COVID-19 would lead to more or less competition for the Company's products (whether in the form of other home-garden products or other housewares) or what impact it would have on overall long-term growth in the housewares industry. Mathematical analysis (such as determining the mean or median) is not in itself a meaningful method of using peer group data.

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Selected Comparable Transaction Analysis

Based on public information available to Stifel, Stifel calculated and compared the multiples of EV to last 12 months ("LTM") EBITDA for the Company implied in the Merger to the corresponding multiples implied in the following 17 precedent transactions involving housewares companies that Stifel deemed to be reasonably analogous to the business of the Company or aspects thereof:

Date	Target	Buyer	Enterprise Value ($mm)	Enterprise Value / EBITDA
Sep-19	Furlong Mills Limited	Churchill China	$ 9.0	6.7x
Jul-19	Nambe	Portmeirion	12.0	10.9x
Mar-19	Flawless & Finishing Touch (IdeaVillage Products)	Church & Dwight Co., Inc.	900.0	16.4x
Aug-18	SodaStream International	PepsiCo, Inc.	3,221.7	31.1x
Jan-18	Global Battery and Lighting Business (Spectrum Brands, Inc.)	Energizer Holdings, Inc.	2,000.0	11.8x
Dec-17	Filament Brands	Lifetime Brands, Inc.	313.0	6.3x
Jul-17	Water Pik, Inc.	Church & Dwight Co., Inc.	1,033.0	12.9x
Oct-16	Tools Business (Newell Brands Inc.)	Stanley Black & Decker, Inc.	1,950.0	13.0x
Jan-16	Haier US Appliance Solutions, Inc.	Qingdao Haier Co., Ltd.	5,600.0	8.2x
Dec-15	Jarden Corp.	Newell Rubbermaid Inc. (nka:Newell Brands Inc.)	17,957.0	21.6x
Oct-15	Visant Holding Corp. (Jostens Holding Corp.)	Jarden Corp.	1,500.0	7.4x
Jul-15	Aga Rangemaster Group plc	The Middleby Corporation	200.0	9.1x
Nov-14	Duracell International, Inc.	Berkshire Hathaway Inc.	4,724.5	7.0x
Sep-14	BSH Hausgeräte GmbH	Robert Bosch GmbH	$ 8,467.2	6.5x
Sep-13	Yankee Candle Investments LLC	Jarden Corp.	1,750.0	8.6x
Oct-12	Hardware and Home Improvement Group (Stanley Black & Decker, Inc.)	Spectrum Brands, Inc.	1,400.0	7.4x
Apr-12	Braun (Procter & Gamble Co.)	De'Longhi S.p.A.	279.7	7.6x
1st Quartile			**$ 313.0**	**7.4x**
Mean			**$ 3,018.7**	**11.3x**
Median			**$ 1,500.0**	**8.6x**
3rd Quartile			**$ 3,221.7**	**12.9x**

The following table sets forth the multiples indicated by this analysis and the multiples implied by the Merger. The range of multiples reflects the first quartile, median, mean and third quartile metrics of the precedent transactions:

	EV / EBITDA
1st Quartile	7.4x
Mean	11.3x
Median	8.6x
3rd Quartile	12.9x

Based on its review of the precedent transactions, Stifel applied selected multiples to the corresponding LTM Adjusted EBITDA of the Company for the 12-month period ending September 30, 2020, as provided by the Company's management. EBITDA adjustments included addbacks for one-time and public company costs and deductions for standalone company costs. This analysis resulted in the following ranges of implied equity values per share of the Company's common stock:

	Implied Stock Price
1st Quartile	$ 1.66
3rd Quartile	$ 2.87

Stifel noted that the Merger Consideration is greater than the high end of the range of implied equity values per share implied by this analysis.

No transaction used in the precedent transactions analysis is identical to the Merger. Accordingly, an analysis of the results of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in the precedent transactions, as well as the disparate general business, economic, market and financial conditions that existed at the time the precedent transactions were consummated and other factors that could affect the public trading value of the companies involved in the precedent transactions which in turn, affect the enterprise value and equity value of the companies involved in the transactions to which the Merger is being compared.

Discounted Cash Flow Analysis

Stifel used the "base case" and the "adjusted case", as provided by the Company's management, to perform four discounted cash flow analyses: two based on the terminal multiple method, one for each of the "base case" and the "adjusted case", and two based on the perpetuity growth method, one for each of the "base case" and the "adjusted case". In conducting these analyses, Stifel assumed that the Company would perform in accordance with the "base case" or the "adjusted case," as applicable. The "base case" and the "adjusted case" supplied to and utilized by Stifel are summarized in "—Management Projections."

Terminal Multiple Method ("Base Case")

Stifel first estimated the terminal value of the Company's projected cash flows by applying a range of terminal multiples Stifel deemed relevant to the Company's estimated calendar year 2025 EBITDA, which multiples ranged from 7.0x to 9.0x based on the range determined in "—Selected Comparable Companies Analysis." Stifel calculated projected unlevered free cash flow, defined as net operating profit after taxes adjusted for depreciation and amortization, capital expenditures and investment in net working capital, from calendar year 2021 through calendar year 2025 using management's forecasts and discounted these cash flows and the terminal value to present values using discount rates of 14.0% to 16.0%, based on Stifel's estimation of the Company's weighted average cost of capital, which was calculated inclusive of certain Company-specific inputs, including cost of debt, cost of equity and a market capitalization size risk premium. This analysis indicated a range of enterprise values which Stifel then increased by the Company's net cash, defined as cash and equivalents less interest-bearing debt, to calculate a range of equity values. Stifel then divided these equity values by fully-diluted shares outstanding using the treasury stock method and calculated implied equity values per share ranging from $3.47 to $4.57, the high-end of which range was the equity value per share derived using the high-end terminal multiple and applying the low-end discount rate, and the low-end of which range was the equity value per share derived using the low-end terminal multiple and applying the high-end discount rate. Stifel noted that the Merger Consideration falls below the range of implied equity values per share implied by this analysis.

Perpetuity Growth Method ("Base Case")

Stifel first estimated the terminal value of the Company's projected cash flows by applying a range of perpetuity growth rates Stifel deemed relevant to the Company's estimated calendar year 2025 free cash flow, which growth rates ranged from 1.0% to 3.0%. Stifel calculated projected unlevered free cash flow, defined as net operating profit after taxes adjusted for depreciation and amortization, capital expenditures and investment in net working capital, from calendar year 2021 through calendar year 2025 using Company management's forecasts and discounted these cash flows and the terminal value to present values using discount rates of 14.0% to 16.0%, based on Stifel's estimation of the Company's weighted average cost of capital. This analysis indicated a range of enterprise values which Stifel then increased by the Company's net cash, defined as cash and equivalents less interest-bearing debt, to calculate a range of equity values. These equity values were then divided by fully-diluted shares outstanding using the treasury stock method to calculate implied equity values per share ranging from $1.93 to $2.53, the high-end of which range was the equity value per share derived using the high-end growth rate and applying the low-end discount rate, and the low-end of which range was the equity value per share derived using the low-end growth rate and applying the high-end discount rate. Stifel noted that the Merger Consideration falls above the range of implied equity values per share implied by this analysis.

Terminal Multiple Method ("Adjusted Case")

Stifel first estimated the terminal value of the Company's projected cash flows by applying a range of terminal multiples Stifel deemed relevant to the Company's estimated calendar year 2025 EBITDA, which multiples ranged from 7.0x to 9.0x. Stifel calculated projected unlevered free cash flow, defined as net operating profit after taxes adjusted for depreciation and amortization, capital expenditures and investment in net working capital, from calendar year 2021 through calendar year 2025 using Company management's forecasts and discounted these cash flows and the terminal value to present values using discount rates of 14.0% to 16.0%, based on Stifel's estimation of the Company's weighted average cost of capital. This analysis indicated a range of enterprise values which Stifel then increased by the Company's net cash, defined as cash and equivalents less interest-bearing debt, to calculate a range of equity values. Stifel then divided these equity values by fully-diluted shares outstanding using the treasury stock method and calculated implied equity values per share ranging from $2.84 to $3.74, the high-end of which range was the equity value per share derived using the high-end terminal multiple and applying the low-end discount rate, and the low-end of which range was the equity value per share derived using the low-end terminal multiple and applying the high-end discount rate. Stifel noted that the Merger Consideration falls within the range of implied equity values per share implied by this analysis.

Perpetuity Growth Method ("Adjusted Case")

Stifel first estimated the terminal value of the Company's projected cash flows by applying a range of perpetuity growth rates Stifel deemed relevant to the Company's estimated calendar year 2025 free cash flow, which growth rates ranged from 1.0% to 3.0%. Stifel calculated projected unlevered free cash flow, defined as net operating profit after taxes adjusted for depreciation and amortization, capital expenditures and investment in net working capital, from calendar year 2021 through calendar year 2025 using Company management's forecasts and discounted these cash flows and the terminal value to present values using discount rates of 14.0% to 16.0%, based on Stifel's estimation of the Company's weighted average cost of capital. This analysis indicated a range of enterprise values which Stifel then increased by the Company's net cash, defined as cash and equivalents less interest-bearing debt, to calculate a range of equity values. These equity values were then divided by fully-diluted shares outstanding using the treasury stock method to calculate implied equity values per share ranging from $1.57 to $2.05, the high-end of which range was the equity value per share derived using the high-end growth rate and applying the low-end discount rate, and the low-end of which range was the equity value per share derived using the low-end growth rate and applying the high-end discount rate. Stifel noted that the Merger Consideration falls above the range of implied equity values per share implied by this analysis.

The foregoing description is a summary of the material financial analyses performed by Stifel in arriving at its opinion. The summary alone does not constitute a complete description of the financial analyses Stifel employed in reaching its conclusions. None of the analyses performed by Stifel were assigned a greater significance by Stifel than any other, nor does the order of analyses described represent relative importance or weight given to those analyses by Stifel. No methodology employed by Stifel can be viewed individually, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Stifel. Additionally, no company or transaction used in any analysis as a comparison is identical to the Company or the Merger, and they all differ in material ways. Accordingly, an analysis of the results described above is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values of the selected companies or transactions to which they are being compared. Stifel used these analyses to determine the impact of various operating metrics on the implied enterprise values and implied per share equity value of the Company. Each of these analyses yielded a range of implied enterprise values and implied per share equity values, and therefore, such implied enterprise value ranges and implied per share equity values developed from these analyses were viewed by Stifel collectively and not individually. Stifel made its determination as to the fairness, from a financial point of view, to the holders of common stock (other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares) of the Merger Consideration to be received by such holders in the Merger pursuant to the Merger Agreement, as of the date of Stifel's opinion, on the basis of its experience and professional judgment after considering the results of all of the analyses performed.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Stifel considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Stifel believes that the summary provided and the analyses described above must be considered as a whole and that selecting portions of these analyses, without considering all of them, would create an incomplete view of the process underlying Stifel's analyses and Stifel's opinion; therefore, the range of valuations resulting from any particular analysis described above should not be taken to be Stifel's view of the actual value of the Company.

Miscellaneous

The Company paid Stifel a fee, which is referred to in this proxy statement as the opinion fee, of $450,000 for providing the Stifel opinion to the Special Committee (not contingent upon the consummation of the Merger), of which $225,000 is creditable against the transaction fee described below. The Company has also agreed to pay Stifel a fee, which is referred to in this proxy statement as the transaction fee, for its services as financial advisor to the Company in connection with the Merger based upon the aggregate consideration payable in the Merger (which as of the day prior to the date of this proxy statement, and net of the creditable portion of the opinion fee described above, is estimated to be approximately $2,687,000), which transaction fee is contingent upon the completion of the Merger. Stifel will not receive any other significant payment or compensation contingent upon the successful consummation of the Merger. In addition, the Company agreed to reimburse Stifel for certain expenses in connection with its engagement, subject to certain limitations, and to indemnify Stifel for certain liabilities arising out of its engagement. Other than the services provided by Stifel to the Company in connection with the Merger and Stifel's opinion, there were no material relationships that existed during the two years prior to the date of Stifel's opinion or that were mutually understood to be contemplated in which any compensation was received or was intended to be received as a result of the relationship between Stifel and any party to the Merger.

Stifel may seek to provide investment banking services to the Company, Parent or their respective affiliates in the future, for which Stifel would seek customary compensation. In the ordinary course of its business, Stifel, its affiliates and their respective clients may transact in the securities of each of the Company or Parent and may at any time hold a long or short position in such securities.

Stifel expressly consented to the inclusion in their entirety of its written opinion and presentation to the Special Committee on November 10, 2020 as exhibits to the Transaction Statement on Schedule 13E-3 filed with the SEC in connection with the Merger, and to the attachment of its written opinion as Annex B to this proxy statement. These materials will be available for any interested stockholder of the Company (or any representative of a stockholder who has been so designated in writing) to inspect and copy at the Company's principal executive offices during regular business hours.

Purpose and Reasons of the Company for the Merger

The Company's purpose for engaging in the Merger is to enable its stockholders (other than holders of Excluded Shares and Dissenting Shares) to receive the Merger Consideration. The Board considered the Merger Agreement, as well as strategic alternatives, including sale to a third party or continuation as an independent

Company, consistent with its fiduciary duties under NRS 78.138. The Company has determined to undertake the Merger at this time based on the analyses, determinations and conclusions of the Special Committee and the Board described in detail under " —Recommendation of the Board and Reasons for the Merger; Fairness of the Merger."

Purpose and Reasons of the Purchaser Parties and Scotts Miracle-Gro for the Merger

Under the SEC rules governing "going private" transactions, each of the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) may be deemed to be an "affiliate" (as defined under Rule 13e-3 of the Exchange Act) of the Company engaged in the "going private" transaction and, therefore, each of the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) is required to express its purposes and reasons for the merger to the Company's "unaffiliated security holders" (as defined under Rule 13e-3 of the Exchange Act). **The Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) are making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The views of the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) should not be construed as a recommendation to any unaffiliated stockholder as to how that stockholder should vote on the Merger Agreement Proposal.**

The Purchaser Parties and Scotts Miracle-Gro have undertaken to pursue the Merger at this time in light of the opportunities they perceive to enhance Parent's and, in turn, Scotts Miracle-Gro's, financial performance by means of acquiring the Company's brands and other assets through the Merger. For the Purchaser Parties and Scotts Miracle-Gro, the purpose of the Merger is to enable them to exercise complete control of the Company, through a transaction in which the stockholders of the Company (other than the (i) Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) and (ii) holders of Dissenting Shares) will be entitled to receive $3.00 in cash, without interest and subject to any required withholding of taxes, per share of common stock, and bear the rewards and risks of the ownership of the Company after becoming its sole stockholder. In the opinion of the Purchaser Parties and Scotts Miracle-Gro, the Merger will provide a number of benefits to the Purchaser Parties, Scotts Miracle-Gro and the Company that would follow from the Company becoming an indirect, wholly-owned subsidiary of Scotts Miracle-Gro, including, but not limited to:

- by ceasing to be a stand-alone public company, the Company will benefit from the elimination of the additional burdens on its management, as well as the expense associated with being a public company, including the burdens of preparing periodic reports, maintaining required controls under U.S. federal securities laws and the costs of maintaining investor relationships, staff and resources;
- successful completion of the Merger will allow the Company to have increased resources as a wholly-owned subsidiary of Scotts Miracle-Gro in comparison to the Company on a standalone basis;
- successful completion of the Merger will result in significant cost efficiencies for the Company and Scotts Miracle-Gro;
- the Merger will increase Scotts Miracle-Gro's exposure to the Company's customer base, and will allow both the Company and Scotts Miracle-Gro to expand consumer access to the Company's product offerings; and
- the Merger will eliminate the complexities associated with satisfying the Company's separate financing needs and simplify the Company's decision-making process which will improve the efficiency of the operation of the Company's business and its ability to capture business opportunities.

The transaction has been structured as a cash merger to provide the Company's unaffiliated stockholders with cash for their shares of common stock and to provide a prompt and orderly transfer of ownership of the Company in a single step, without the necessity of financing separate purchases of shares of common stock in a tender offer and implementing a second-step merger to acquire any shares of common stock not tendered into any such tender offer, and without incurring any additional transaction costs associated with such activities.

Plans for the Company After the Merger

Following the consummation of the Merger, the Purchaser Parties and Scotts Miracle-Gro anticipate that the business and operations of the Company will continue to be conducted substantially as they are currently conducted, except that the business of the Company will be integrated into Scotts Miracle-Gro's business and the Company will cease to be a public company. Pursuant to the Merger Agreement, the shares of common stock will no longer be quoted on the OTCQB and will cease to be registered under the Exchange Act (via termination of registration pursuant to Section 12(g) of the Exchange Act). At the Effective Time of the Merger, the directors of Merger Sub at the Effective Time will become the directors of the Company, and the officers of Merger Sub at the Effective Time will become the officers of the Company, in each case, until their successor is duly elected or appointed and qualified or until his or her death, resignation or removal, as the case may be.

As of the date of this proxy statement, Scotts Miracle-Gro has not fully developed its plans for the Company following the consummation of the Merger as a result of the expedited and targeted nature of the due diligence that it conducted in connection with the Merger and the evolving nature of the Company's business since March 2020. Following the Merger, Scotts Miracle-Gro will likely consider implementing new back office and operating systems, personnel restructuring, changes in office location and other actions to support its planned growth for the Company. Although any significant systems changes necessarily also involve some level of operational changes, Scotts Miracle-Gro recognizes that the Company has experienced significant growth and possesses meaningful expertise. In addition, Scotts Miracle-Gro is in the process of increasing its presence in both the direct to consumer space and in the western United States. Scotts Miracle-Gro and Company management will consider all of these factors, together with Scotts Miracle-Gro's increased acceptance of remote workers, as they develop integration and operational plans for the Company.

Certain Effects of the Merger

Upon the terms and subject to the conditions of the Merger Agreement, if the Merger is completed, Merger Sub will merge with and into the Company, and the Company will continue as the surviving corporation as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro. Following the completion of the Merger, the Company's common stock will no longer be publicly traded or quoted on the OTCQB and you will no longer own any shares of the capital stock of the surviving corporation or have any other rights as a stockholder of the Company. You will, however, have the right to receive the Merger Consideration (except stockholders who have duly preserved, demanded and perfected, and not withdrawn or otherwise waived or lost, dissenter's rights pursuant to NRS 92A.300 through NRS 92A.500, inclusive (as described in " —Dissenter's Rights"), who will instead have the rights available pursuant to those statutes). In addition, the Company's common stock will be deregistered under the Exchange Act, and the Company will no longer file periodic or current reports with the SEC.

The Effective Time will occur at the date and time when the articles of merger have been duly filed with and accepted by the Nevada Secretary of State, or such later date and time as may be agreed by the parties to the Merger Agreement in writing and specified in the articles of merger in accordance with the NRS.

Treatment of the Shares of Common Stock

At the Effective Time, each share of common stock (other than the Excluded Shares and the Dissenting Shares) issued and outstanding immediately prior to the Effective Time will be automatically converted into the right to receive $3.00 in cash, without interest thereon and subject to any required withholding of taxes, will cease to be outstanding, will be cancelled and will cease to exist, and each certificate formerly representing Eligible Shares, and each book-entry share of stock formerly representing Eligible Shares, will thereafter only represent the right to receive the cash consideration prescribed under the Merger Agreement.

Treatment of Equity Awards

The Company has no outstanding equity awards.

Benefits of the Merger for the Company's Unaffiliated Stockholders

The primary benefit of the Merger to the unaffiliated stockholders will be their right to receive the Merger Consideration of $3.00 in cash, without interest thereon and subject to any required withholding of taxes, as described above. Additionally, such stockholders will avoid the risk after the Merger of any possible decrease in our future earnings, growth or value.

Detriments of the Merger to the Company's Unaffiliated Stockholders

The primary detriments of the Merger to our unaffiliated stockholders include the lack of an interest of such stockholders in the potential future earnings, growth or value realized by the Company after the Merger.

Certain Effects of the Merger for Parent

Following the Merger, it is contemplated that all of the equity interests in the Company will be owned by Parent. If the Merger is completed, Parent will be the sole beneficiary of our future earnings, growth and value, if any, and will be the only person entitled to vote on corporate matters affecting the Company.

Additionally, following the Merger, the Company will be a private company, wholly-owned by Parent, and, as such, will be relieved of the requirements applicable to companies having publicly traded equity securities, including the stand-alone pressure to meet analyst forecasts or the short-term goals and demands of other stockholders. In addition, registration of the shares of common stock under the Exchange Act will be terminated, which will eliminate the obligation of the Company to separately prepare and furnish information to its stockholders. Parent will benefit from any regulatory compliance cost savings realized by the Company after it becomes a private company. The Company estimates that following the completion of the Merger the annually reoccurring cost savings as a result of no longer being a publicly traded company separately subject to the reporting requirements of U.S. federal securities laws will be approximately $238,000 per year. Any cost savings realized by the surviving corporation as a result of no longer being subject to the reporting requirements of U.S. federal securities laws will be realized solely by the surviving corporation and, indirectly as the beneficial owners of the surviving corporation, Parent and Scotts Miracle-Gro.

The primary detriments of the Merger to Parent include the fact that all of the risk of any possible decrease in the future earnings, growth or value of the Company following the Merger will be borne by Parent. Additionally, Parent's ownership of the Company will be illiquid, with no public trading market for such securities.

The directors of Merger Sub at the Effective Time of the Merger will be the directors of the surviving corporation, in each case, until their successor is duly elected or appointed and qualified or until his or her death, resignation or removal, as the case may be. The officers of Merger Sub at the Effective Time of the Merger will be the officers of the surviving corporation, in each case, until their successor is duly elected or appointed and qualified or until his or her death, resignation or removal, as the case may be. At the Effective Time of the Merger, the articles of incorporation of the Company will be amended and restated in their entirety as of the Effective Time of the Merger to be in the same form as set forth in Exhibit A to the Merger Agreement. At the Effective Time of the Merger, the bylaws of the Company will be amended and restated in their entirety as of the Effective Time of the Merger to read in their entirety as the bylaws of the Merger Sub immediately prior to such time (except all references therein to the name of Merger Sub will be replaced with the name of the Company).

As of January 20, 2021, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) may be deemed to beneficially own approximately 80.5% of the outstanding shares of our common stock. Following consummation of the Merger, Parent will own 100% of the shares of our common stock and will have a corresponding interest in our net book value and net earnings or losses. Our net income for the fiscal year ended March 31, 2020 was approximately $57,000 and our net book value as of March 31, 2020 was approximately $12,509,000. Our net income for the six months ended September 30, 2020 was approximately $3,914,000 and our net book value as of September 30, 2020 was approximately $16,423,000. The table below sets forth the direct and indirect interests in the Company's net book value and net earnings of Scotts Miracle-Gro before and immediately after the Merger, based on the net book value at March 31, 2020 and September 30, 2020, and net income for the fiscal year ended March 31, 2020 and the six months ended September 30, 2020.

	Ownership of the Company Prior to the Merger					Ownership of the Company Prior to the Merger				
Name	% Ownership	Net Book Value at September 30, 2020	Net Book Value at March 31, 2020	Net Income for the Six Months Ended September 30, 2020	Net Income for the Fiscal Year Ended March 31, 2020	% Ownership	Net Book Value at September 30, 2020	Net Book Value at March 31, 2020	Net Income for the Six Months Ended September 30, 2020	Net Income for the Fiscal Year Ended March 31, 2020
SMG Growing Media, Inc.	80.5%	$13,220,515	$10,069,745	$ 3,150,770	$ 45,885	100%	$ 0.4784	$ 0.3644	$ 3,914,000	$ 57,000
The Scotts Miracle-Gro Company	80.5%	$13,220,515	$10,069,745	$ 3,150,770	$ 45,885	100%	$ 0.4784	$ 0.3644	$ 3,914,000	$ 57,000

Assuming the Merger is consummated, as illustrated in the table above, the aggregate interest of the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) in the Company's net book value and net earnings or losses would increase to 100%, and the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) would be entitled to all other benefits resulting from its 100% ownership of the Company, including all income generated by the Company's operations and any future increase in the Company's value. Similarly, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) would also bear all of the risk of losses generated by the Company's operations and any decrease in the value of the Company after the completion of the Merger. The Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) accounted for the benefit from any tax savings generated by the application of the Company's net operating loss carryforwards ("NOLs") and certain tax credit carryforwards in Scotts Miracle-Gro's fiscal year ended September 30, 2017 when the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) increased their beneficial ownership of the Company to 80% of the then-outstanding shares of common stock (on a fully-diluted basis) and began to consolidate the Company into its financial statements. As of September 30, 2020, the deferred tax assets of Scotts Miracle-Gro related to the NOLs, subject to limitation under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), from current and prior ownership changes, were $10.8 million. The NOLs will be subject to expiration gradually from its fiscal year end 2022 through its fiscal year end 2032. Scotts Miracle-Gro has determined that $10.5 million of these deferred tax assets will expire unutilized due to the closing of statutes of limitation and has established a valuation allowance accordingly at September 30, 2020.

Certain Effects on the Company if the Merger is Not Completed

If the Merger Agreement Proposal is not approved by the required vote of our stockholders, or if the Merger is not consummated for any other reason, our stockholders will not receive any payment for their shares in connection with the Merger. Instead, we will remain an independent public company, shares of our common stock will continue to be listed and traded on the OTCQB and registered under the Exchange Act and we will continue to file periodic and current reports with the SEC. In addition, if the Merger is not completed, we expect that management will operate the business in a manner similar to that in which it is being operated today and that stockholders will continue to be subject to the same risks and opportunities to which they are currently subject, including, among other things, the risks described in the risk factors included in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed with the SEC on June 23, 2020, which is incorporated by reference herein, as updated by our subsequent filings with the SEC.

Furthermore, depending on the circumstances that caused the Merger not to be completed, the price of our common stock may decline significantly, and if that were to occur, it is uncertain when, if ever, the price of our common stock would return to the price at which it traded as of the date of this proxy statement or reach the price level of the Merger Consideration. In addition, Parent and its affiliates (including Scotts Miracle-Gro) would continue to hold a substantial portion of the outstanding shares of our common stock.

Accordingly, if the Merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares. If the Merger is not completed, the Board will continue to evaluate and review our business operations, strategic direction and capitalization, among other things, and will make such changes, if any, as are deemed appropriate. If the Merger Agreement Proposal is not approved by our stockholders or if the Merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to the Board will be offered or that our business, prospects or results of operations will not be adversely impacted.

Management Projections

The Company does not, as a matter of course, publicly disclose forecasts or internal projections as to its future performance, revenues, earnings or other results due to, among other reasons, the uncertainty, unpredictability and subjectivity of the underlying assumptions and estimates. However, in connection with the consideration of the Merger by the Special Committee and the Board, the Company's management prepared and developed certain unaudited financial projections regarding the Company's future performance for its fiscal years 2021 through 2023 with "initial CIM base case," "updated CIM base case," "base case" and "adjusted case" models (collectively, the "management projections"). On May 8, 2020, the Board reviewed and agreed to the financial projections, which would form the basis of the management projections used by Stifel in connection with its financial analysis, which included the "base case" management projections and the "adjusted case" management projections, as described under " —Opinion of Stifel, Nicolaus & Company, Incorporated." Such financial projections would also form the basis of the "initial CIM base case" management projections and the "updated CIM base case" management projections, which would be distributed to potential purchasers. Summaries of the management projections have been included below.

The unaudited financial projections for fiscal year 2021 included in the "initial CIM base case" management projections distributed to potential purchasers include actual results for April 2020 and May 2020, preliminary results for June 2020 and estimates for July 2020 through March 2021. The unaudited financial projections for fiscal year 2021 included in the "updated CIM base case" management projections distributed to potential purchasers include actual results for April 2020, May 2020 and June 2020 and estimates for July 2020 through March 2021. The unaudited financial projections for fiscal year 2021 included in the "base case" management projections and the "adjusted case" management projections used by Stifel in connection with its financial analysis, as described under "—Opinion of Stifel, Nicolaus & Company, Incorporated" include actual results for April 2020 through September 2020 and estimates for October 2020 through March 2021. The unaudited financial projections for fiscal years 2022 and 2023 are based solely on estimates.

The management projections were made available to the Special Committee, the Board and Stifel; the "initial CIM base case" management projections were made available to, and discussed with, Scotts Miracle-Gro and 79 potential purchasers (74 private equity firms, three home and garden companies and two food and agriculture /cannabis companies); and the "updated CIM base case" management projections were made available to, and discussed with, Scotts Miracle-Gro and the four potential purchasers who had submitted bids, in each case, in connection with the process resulting in the execution of the Merger Agreement. The summary of the management projections set forth below is included herein only because certain of the management projections were used at the Board's direction by Stifel in connection with its financial analysis relating to the Merger Consideration. However, the inclusion of such information should not be regarded as an indication that any party considered, or now considers, any of the management projections to be a reliable prediction of future results. The management projections are subjective in many respects and are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. Although presented with numerical specificity, the management projections are based upon, and reflect, numerous judgments, estimates and assumptions made by the Company's management with respect to, among other things, industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Company's business, all of which are difficult to predict and many of which are beyond the Company's control. As such, the management projections constitute forward-looking statements and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, including the factors described under "Cautionary Note Regarding Forward-Looking Statements." As a result, we cannot assure you that the estimates and assumptions made in preparing the management projections will prove accurate, that the projected results will be realized or that actual results will not be significantly higher or lower than projected results. In addition, the management projections cover multiple years through fiscal year 2023 and such information by its nature becomes less reliable with each successive year. Accordingly, this summary of the management projections is not being included in this proxy statement to influence your decision whether to vote in favor of any proposal.

Some or all of the assumptions that have been made regarding, among other things, the occurrence or the timing of certain events or impacts may have changed since the date the management projections were prepared, and the summary of the management projections set forth below does not take into account any circumstances or events occurring after the date the management projections were prepared, including the announcement of the Merger and transaction-related expenses. The management projections do not take into account the effect of any failure of the Merger to occur and should not be viewed as accurate in that context. Similarly, the management projections do not give effect to any strategy that may be implemented after the completion of the Merger, including any potential synergies realized as a result of the Merger.

The management projections were not prepared with a view to public disclosure. The management projections are included in this proxy statement only because certain of the management projections were made available to Stifel for use in connection with its financial analysis, as described under "—Opinion of Stifel, Nicolaus & Company, Incorporated." The management projections do not, and were not intended to, act as public guidance regarding our financial performance. Accordingly, the inclusion of the management projections in this proxy statement should not be regarded as an indication that Scotts Miracle-Gro, the Special Committee, the Board, the Company's management, Stifel or any of their respective affiliates or representatives or any other recipient of this information considered, or now considers, the management projections to be predictive of future results. No one has made or makes any representation to any stockholder regarding the information included in the management projections set forth below. We have made no representation to Parent or Merger Sub in the Merger Agreement concerning these financial forecasts.

Furthermore, the management projections were not prepared with a view to compliance with: (1) generally accepted accounting principles ("GAAP") in the United States; (2) the published guidelines of the SEC regarding projections and forward-looking statements; or (3) the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Plante & Moran, PLLC, our independent registered public accounting firm, has not examined, reviewed, compiled or otherwise applied procedures to the management projections and, accordingly, assumes no responsibility for, and expresses no opinion on, them. The management projections included in this proxy statement have been prepared by, and are the responsibility of, the Company's management.

Pro Forma Adjusted EBITDA contained in the management projections set forth below is a non-GAAP financial measure, which is a financial performance measure that is not calculated in accordance with GAAP. This non-GAAP financial measure should not be viewed as a substitute for GAAP financial measures and may be different from similarly titled non-GAAP financial measures used by other companies, which limits its usefulness as a comparative measure. Furthermore, there are limitations inherent in non-GAAP financial measures because they exclude charges and credits that are required to be included in a GAAP presentation. The items excluded from net income to arrive at this non-GAAP financial measure are significant components for understanding and assessing the Company's financial performance and liquidity. Accordingly, this non-GAAP financial measure should be considered together with, and not as alternatives to, financial measures prepared in accordance with GAAP.

Financial measures provided to a financial advisor are excluded from the definition of non-GAAP financial measures under SEC rules and, therefore, are not subject to SEC rules regarding disclosures of non-GAAP financial measures, which would otherwise require a reconciliation of a non-GAAP financial measure to a GAAP financial measure. Reconciliations of non-GAAP financial measures were not relied upon by Stifel for purposes of its financial analysis as described above in " —Opinion of Stifel, Nicolaus & Company, Incorporated" or the Special Committee or the Board in connection with their consideration of the Merger. Accordingly, we have not provided a reconciliation of the non-GAAP financial measure included in the management projections to the most directly comparable GAAP financial measure.

Except to the extent required by applicable federal securities laws, we do not intend, and expressly disclaim any responsibility, to update or otherwise revise the management projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the management projections are shown to be in error or no longer appropriate. **In light of the foregoing factors and the uncertainties inherent in the management projections, stockholders are cautioned not to place undue reliance on the projections included in this proxy statement.**

The summaries of the financial forecasts performed by management include information presented in tabular format. In order to fully understand management's analyses and projections, the tables must be read together with the assumptions underlying such forecasts. The tables alone do not constitute a complete description of management's analyses and projections. Considering the data described below without considering the full narrative description of management's analyses and projections, including the assumptions underlying the analyses and projections, could create a misleading or incomplete view of management's analyses and projections.

In preparing the management projections, our management made the following material assumptions:

- "initial CIM base case" management projections, "updated CIM base case" management projections and "base case" management projections:
  - revenue estimates:
    - core business revenue in fiscal year 2021 is built up by account / channel by quarter based on estimates from AeroGrow's sales team, and revenue for fiscal year 2022 and fiscal year 2023 is calculated by applying specific growth rates to each account / channel using fiscal year 2021 as a base;
    - Bloom sales begin in a "beta" phase in September 2020, during which the product is sold for $2,495 per unit, with unit sales gradually increasing each month thereafter at a product price of $3,995; and
    - projected sales from the Multi-Plant High Output Growing System are not included and will provide incremental upside upon launch in fiscal year 2022;
  - gross margins for each channel in fiscal year 2021 are flat compared to fiscal year 2020, and improve by 100 basis points in fiscal year 2022 and another 50 basis points in fiscal year 2023;
  - in fiscal year 2021, Amazon and Retail.com marketing expenditures are flat compared to fiscal year 2020 on a percent of sales basis and Direct Response market expenditures are 190 basis points higher on a percent of sales basis, with variable marketing expenses for each channel increasing by 100 basis points in fiscal year 2022 and another 50 basis points in fiscal year 2023;
  - general marketing expenses are built up by line item for fiscal year 2021, increase by 75% in fiscal year 2022 and another 40% in fiscal year 2023;
  - staffing for the core business in fiscal year 2021 remains flat compared to March 2020 levels, with personnel expenses increasing by 10% in fiscal year 2022 and another 15% in fiscal year 2023, and staffing for the Bloom business increasing as the Bloom business grows throughout the projection period;
  - other operating expenses in fiscal year 2021 are relatively flat compared to fiscal year 2020, with travel and entertainment expenses increasing by 10% in each of fiscal year 2022 and fiscal year

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2023, and all other general and administrative expenses increasing by 3% in each of fiscal year 2022 and fiscal year 2023;

- the following adjustments:
  - removal of public company costs;
  - removal of independent director fees;
  - Scotts Miracle-Gro employee adjustments; and
  - additional one-time expenses; and
- financial results assume that the existing commercial relationships and agreements with Scotts Miracle-Gro (as discussed in more detail in "Other Important Information Regarding the Purchaser Parties and Scotts Miracle-Gro—Significant Past Transactions and Contracts") would remain in place and have been adjusted to reflect the standalone and ongoing nature of the business.

- "adjusted case" management projections:
  - the same assumptions applied to the "base case" management projections with the exception of:
    - a (i) 10% reduction in the projected revenue growth rate of the Company's core AeroGarden business starting in the fourth fiscal quarter of fiscal year 2021; and (ii) 50% reduction in the projected revenue growth rate of the Company's Bloom product starting in the fourth fiscal quarter of fiscal year 2021;
    - variable expenses adjusted based on revised sales; and
    - calculations based on a calendar year period ending on December 31 of each year as opposed to the Company's fiscal year ending March 31 of each year, with calendar year 2020 as the starting point.

Summary of Management Projections

"Initial CIM Base Case"

($ in millions)	Fiscal Year Ending March 31,		
	2021E	2022P	2023P
Net Revenue	$77.6	$114.3	$161.8
Gross Profit	$29.3	$ 44.5	$ 63.4
Pro Forma Adjusted EBITDA (1)	$ 7.8	$ 15.3	$ 25.5

(1) Pro Forma Adjusted EBITDA is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation and amortization, as further adjusted to:

- remove certain public company expenses;
- remove fees paid to the Company's two independent directors;
- add back the salary of AeroGrow's marketing manager, who is currently paid by Scotts Miracle-Gro as management believed this position would need to be filled following a sale of the Company;
- add back expenses incurred relating to a one-time e-commerce platform security audit in fiscal year 2020 following a cybersecurity event and fees incurred with the strategic alternatives process (which were not added back to 2021E, but was taken into consideration when developing projections for future periods); and
- certain immaterial ongoing costs related to the Company's separation from Scotts Miracle-Gro, such as freight expenses and customer service resources.

"Updated CIM Base Case"

($ in millions)	Fiscal Year Ending March 31,		
	2021E	2022P	2023P
Net Revenue	$78.0	$114.3	$161.8
Gross Profit	$30.1	$ 44.5	$ 63.4
Pro Forma Adjusted EBITDA (1)	$ 8.7	$ 15.3	$ 25.5

(1) Pro Forma Adjusted EBITDA is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation and amortization, as further adjusted to:

- remove certain public company expenses;
- remove fees paid to the Company's two independent directors;
- add back the salary of AeroGrow's marketing manager, who is currently paid by Scotts Miracle-Gro as management believed this position would need to be filled following a sale of the Company;
- add back expenses incurred relating to a one-time e-commerce platform security audit in fiscal year 2020 following a cybersecurity event and fees incurred with the strategic alternatives process (which were not added back to 2021E, but was taken into consideration when developing projections for future periods); and
- certain immaterial ongoing costs related to the Company's separation from Scotts Miracle-Gro, such as freight expenses and customer service resources.

"Base Case"

($ in millions)	Fiscal Year Ending March 31,		
	2021E	2022P	2023P
Net Revenue	$78.4	$114.3	$161.8
Gross Profit	$30.7	$ 44.5	$ 63.4
Pro Forma Adjusted EBITDA (1)	$ 9.5	$ 15.3	$ 25.5

(1) Pro Forma Adjusted EBITDA is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation and amortization, as further adjusted to:

- remove certain public company expenses;
- remove fees paid to the Company's two independent directors;
- add back the salary of AeroGrow's marketing manager, who is currently paid by Scotts Miracle-Gro as management believed this position would need to be filled following a sale of the Company;
- add back expenses incurred relating to a one-time e-commerce platform security audit in fiscal year 2020 following a cybersecurity event and fees incurred with the strategic alternatives process (which were not added back to 2021E, but was taken into consideration when developing projections for future periods); and
- certain immaterial ongoing costs related to the Company's separation from Scotts Miracle-Gro, such as freight expenses and customer service resources.

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"Adjusted Case"

($ in millions)	Calendar Year Ending December,		
	2021E	2022P	2023P
Net Revenue	$ 98.2	$ 126.3	$ 131.8
Gross Profit	$ 37.9	$ 49.3	$ 51.4
Pro Forma Adjusted EBITDA (1)	$ 12.4	$ 19.3	$ 20.1

(1) Pro Forma Adjusted EBITDA is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation and amortization, as further adjusted to:

- remove certain public company expenses;
- remove fees paid to the Company's two independent directors;
- add back the salary of AeroGrow's marketing manager, who is currently paid by Scotts Miracle-Gro as management believed this position would need to be filled following a sale of the Company;
- add backs for expenses incurred relating to a one-time e-commerce platform security audit in fiscal year 2020 following a cybersecurity event and fees incurred with the strategic alternatives process (which were not added back to 2021E, but was taken into consideration when developing projections for future periods); and
- certain immaterial ongoing costs related to the Company's separation from Scotts Miracle-Gro, such as freight expenses and customer service resources.

Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest

When considering the unanimous recommendation of each of the Special Committee and the Board that you vote to approve the Merger Agreement Proposal, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of stockholders generally, as more fully described below. These interests relate to or arise from, among other things:

- if the Merger is completed, our common stock will be 100% beneficially owned, as of the Closing, by Parent, a direct, wholly-owned subsidiary of Scotts Miracle-Gro;
- the significant commercial relationships and loans among the Company and the Purchaser Parties;
- the cash payments to the members of the Special Committee for their Special Committee service, which compensation was not contingent upon the Special Committee's recommendation regarding the Merger;
- the fact that certain executive officers of the Company are anticipated to remain executive officers of the surviving corporation;
- certain severance payments available to certain executive officers of the Company in connection with a termination of employment upon or following the Merger;
- our directors and executive officers will receive the Merger Consideration for any shares of common stock that they own;
- that Ms. Ziegler and Messrs. Hagedorn and Miller are affiliated with Scotts Miracle-Gro and that as of January 20, 2021, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock; and
- the right to continued indemnification and insurance coverage for directors and executive officers of the Company following the completion of the Merger, pursuant to the terms of the Merger Agreement.

In (i) evaluating and negotiating the Merger Agreement; (ii) adopting and approving the Merger Agreement and approving the Merger; and (iii) recommending that the Merger Agreement and the transactions contemplated

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thereby (including the Merger) be approved by stockholders, the Special Committee and the Board, as applicable, were aware of and considered these interests to the extent that they existed at the time, among other matters.

In addition to the matters described below, three directors, Ms. Ziegler and Messrs. Hagedorn and Miller, were designated by Scotts Miracle-Gro as directors on the Board (and reminded the Board of their affiliation with Scotts Miracle-Gro).

The Board, on behalf of the Company and upon recommendation of the Special Committee, voted in favor of adopting and approving the Merger Agreement and the transactions contemplated thereby (including the Merger).

For purposes of this disclosure, the named executive officers of the Company who, comprise all of the individuals who have served as executive officers of the Company since the beginning of the last fiscal year, are J. Michael Wolfe, President and Chief Executive Officer, John K. Thompson, Executive Vice President, Sales and Marketing, and Secretary, and Grey H. Gibbs, Senior Vice President of Finance and Administration.

Treatment of Shares of Common Stock

All of the Company's directors and executive officers who own common stock will receive the same Merger Consideration, without interest thereon and subject to any required withholding of taxes, on the same terms and conditions as all other stockholders (other than the former holders of Dissenting Shares). As of the Record Date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, 155,437 shares of common stock, or less than 1.0% of the aggregate shares of common stock entitled to vote at the Special Meeting.

The following table sets forth, as of the Record Date, the cash consideration that each director and executive officer would be entitled to receive if the Merger is consummated with respect to their shares of common stock.

Name	Position	Number of Shares	Aggregate Merger Consideration Payable for Shares
H. MacGregor Clarke	Director	—	$ —
Chris J. Hagedorn (1)	Director, Chairman of the Board	—	$ —
David B. Kent	Director	—	$ —
Cory T. Miller (1)	Director	—	$ —
Patricia M. Ziegler (1)	Director	—	$ —
J. Michael Wolfe	President and Chief Executive Officer	106,790	$ 320,370
Grey H. Gibbs	Senior Vice President of Finance and Administration	6,000	$ 18,000
John K. Thompson	Executive Vice President, Sales and Marketing, and Secretary	42,647	$ 127,941
Total		155,437	$ 466,311

(1) Ms. Ziegler and Messrs. Hagedorn and Miller are affiliated with SMG Growing Media, Inc. None of Ms. Ziegler and Messrs. Hagedorn and Miller holds voting or investment power over the shares owned by SMG Growing Media, Inc. and therefore each disclaims beneficial ownership over such shares.

Treatment of Equity Awards

None of the named executive officers has any outstanding equity awards.

Employment Agreements

Messrs. Wolfe and Thompson

Effective as of March 4, 2012, we entered into an Employment Agreement (each, an "Employment Agreement") with each of Messrs. Wolfe and Thompson (each, an "Executive").

In the event that we terminate the employment of an Executive without Cause (as defined below), the Executive will be entitled to receive his base salary for 12 months following the date of termination, plus a prorated portion of his annual cash bonus and continued coverage under the Company's health and welfare employee benefit plans and programs at active executive levels and costs for 12 months following the date of termination. As a condition to receiving such compensation, pursuant to the terms of the Employment Agreements, Messrs. Wolfe and Thompson are each required to (i) comply with the restrictive covenants provided in the Employment Agreements, including a non-compete and non-solicitation period that applies during the 12-month and 24-month periods, respectively, following any termination of employment, and (ii) execute a release of all claims arising from his employment with the Company

"Cause" is defined as (i) a material act of dishonesty by the Executive in connection with his responsibilities as an Executive, (ii) conviction of, or plea of nolo contendere to, a felony, (iii) gross misconduct, or (iv) continued substantial violation of his employment duties after Executive has received a written demand for performance from the Board which specifically sets forth the factual basis for the Company's belief that Executive has not substantially performed his duties.

Messrs. Wolfe and Thompson are entitled to gross-up payments in respect of certain excise taxes imposed on "excess parachute payments" under Sections 280G and 4999 of the Code, though we do not anticipate needing to make any such gross-up payments in connection with the Merger.

Retention Program and Severance Policy

Under the Merger Agreement, the Company's 2021 Annual Bonus Plan (including the Employee Retention Memorandum (the "Retention Memorandum") implementing such plan, the "Bonus Plan")) and the Company's Severance Policy (the "Severance Policy") will be assumed by the surviving corporation in the Merger, without further action, and will not be modified or terminated by the surviving corporation within 12 months after the Closing unless otherwise required by applicable law. Such programs are designed to promote retention and reward extraordinary effort.

In general, pursuant to the Retention Memorandum, if any participant in the Bonus Plan is retained following the Merger, they will continue to participate in the Bonus Plan and will fully accrue their bonus through March 31, 2021, the last day of the Company's 2021 fiscal year, and their bonus will be paid in accordance with the terms of the Bonus Plan. The net revenue and operating profit thresholds for calculation of the bonus payout will be what the Company achieves for the full 12-month period ended March 31, 2021. Alternatively, if any participant in the Bonus Plan is terminated at the Effective Time or prior to March 31, 2021, their bonus will be paid based on the amount that has been accrued at the time of their termination and such bonus will be paid at the time of their termination.

In addition, per the Severance Policy, in the event that an employee is terminated by the Company (and the employee was in good standing at the time of the termination), such employee will be compensated in accordance with the following table:

Employee Group	Severance Compensation Calculation
All Employees (except those specified below)	1.5 weeks of pay per year of service (up to 26 weeks) or 4 weeks of pay per $25,000 of base compensation, whichever is greater
Director and Vice President	2 weeks of pay per year of service (up to 52 weeks) or 5 weeks of pay per $25,000 of base compensation, whichever is greater
Senior Vice President	1 full year of salary
Executive Vice President and Chief Executive Officer	Per Employment Agreement (1 full year of salary)

The severance will be paid as one lump payment at the time of termination and all other matters related to an employee's termination (including COBRA) will be handled in accordance with the Company's standing policies and administered by the Company's Human Resources Department.

Ownership Interests of the Purchaser Parties and Scotts Miracle-Gro

Three of our directors, Ms. Ziegler and Messrs. Hagedorn and Miller, are affiliated with Scotts Miracle-Gro. Parent is a direct, wholly-owned subsidiary of Scotts Miracle-Gro and as of January 20, 2021, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock.

Insurance and Indemnification of Directors and Executive Officers

Our directors and executive officers are entitled to certain insurance and indemnification rights in connection with the Merger. See "The Merger Agreement—Covenants and Agreements—Indemnification; Directors' and Officers' Insurance" for additional information.

Compensation of the Special Committee

The Special Committee consists solely of independent and disinterested members of the Board. On June 5, 2020, the Board adopted resolutions providing that members of the Special Committee would be paid $75,000 in cash for their Special Committee service and $50,000 of such compensation was paid on July 1, 2020 and $25,000 on September 15, 2020. The compensation was not contingent upon the Special Committee's recommendation regarding the Merger.

In recommending and approving this compensation structure, the Special Committee and the Board considered, among other things, precedent compensation structures for special committees formed for purposes comparable to those for which the Special Committee was formed.

Intent to Vote in Favor of the Merger

As of the Record Date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, 155,437 shares of common stock, or less than 1.0% of the aggregate shares of common stock entitled to vote at the Special Meeting. The directors have informed the Company that they currently intend to vote all of their shares "**FOR**" the Merger Agreement Proposal. Furthermore, although none of Ms. Ziegler and Messrs. Hagedorn and Miller holds voting or investment power over the shares owned by Parent and therefore each disclaims beneficial ownership over such shares, Parent is required to vote all of its shares "**FOR**" the Merger Agreement Proposal. The executive officers have not informed the Company of their intent to vote on the Merger Agreement Proposal. However, the Proxy Holders, who are both executive officers of the Company, intend to vote all of the shares over which they have proxy authority, "**FOR**" the Merger Agreement Proposal.

Parent's Obligation to Vote in Favor of the Merger

The Merger Agreement provides that Parent will vote or cause to be voted any shares of common stock beneficially owned by it or any of its affiliates or with respect to which it or any of its affiliates has the power (by agreement, proxy or otherwise) to cause to be voted in favor of the Merger Agreement Proposal at the Special Meeting and at all adjournments, recesses or postponements thereof. As of January 20, 2021, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a general discussion of the material U.S. federal income tax consequences of the Merger to holders of our common stock whose shares are exchanged for cash pursuant to the Merger. This discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury regulations promulgated thereunder ("Treasury Regulations"), judicial opinions, and administrative rulings and published positions of the Internal Revenue Service (the "IRS"), each as in effect as of the date hereof. These authorities are subject to change, possibly on a retroactive basis, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. This discussion is not binding on the IRS or the courts and, therefore, could be subject to challenge, which could be sustained. No ruling is intended to be sought from the IRS with respect to the Merger.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of Company common stock that is:

- a citizen or individual resident of the United States;
- a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- a trust if (i) a court within the United States is able to exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of Company common stock, other than a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, that is not a U.S. Holder.

With respect to U.S. Holders, this discussion applies only to U.S. Holders of shares of Company common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to a holder of Company common stock in light of its particular circumstances, or that may apply to a holder that is subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, controlled foreign corporations, passive foreign investment companies, dealers or brokers in securities or foreign currencies, persons required for U.S. federal income tax purposes to conform the timing of income accruals to their financial statements under Section 451(b) of the Code, traders in securities who elect the mark-to-market method of accounting, holders subject to the alternative minimum tax, U.S. Holders that have a functional currency other than the U.S. dollar, tax-exempt organizations, banks and certain other financial institutions, mutual funds, certain expatriates, partnerships, S corporations, or other pass-through entities or investors in partnerships or such other entities, U.S. Holders who hold shares of Company common stock as part of a hedge, straddle, constructive sale or conversion transaction, U.S. Holders who will hold, directly or indirectly, an equity interest in the surviving corporation, U.S. Holders who hold Excluded Shares, and U.S. Holders who acquired their shares of Company common stock through the exercise of employee stock options or other compensation arrangements).

If a partnership (including for this purpose any entity or arrangement classified or otherwise treated as a partnership for U.S. federal income tax purposes) holds shares of Company common stock, the tax treatment of a partner in such partnership will generally depend on the status of the partners and the activities of the partnership. If you are a partner of a partnership holding shares of Company common stock, you should consult your tax advisor.

Holders of Company common stock are urged to consult their own tax advisors to determine the particular tax consequences to them of the Merger, including the applicability and effect of the alternative minimum tax, and the effect of any U.S. federal, state, local, foreign or other tax laws.

Consequences to U.S. Holders

Exchange of Common Stock Pursuant to the Merger

The receipt of cash by U.S. Holders in exchange for shares of Company common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a U.S. Holder who receives cash in exchange for shares of Company common stock pursuant to the Merger will recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received (computed as if there were no applicable withholding taxes) and (ii) the U.S. Holder's adjusted tax basis in such shares.

If a U.S. Holder's holding period in the shares of Company common stock surrendered in the Merger is greater than one year as of the date of the Merger, the gain or loss will be long-term capital gain or loss. Long term capital gains of certain non-corporate holders, including individuals, generally are subject to U.S. federal income tax at preferential rates. The deductibility of a capital loss recognized on the exchange is subject to limitations. If a U.S. Holder acquired different blocks of Company common stock at different times or different prices, such U.S. Holder must determine its adjusted tax basis and holding period separately with respect to each block of Company common stock.

Consequences to Non-U.S. Holders

Exchange of Common Stock Pursuant to the Merger

A Non-U.S. Holder whose shares of Company common stock are converted into the right to receive cash in the Merger generally will not be subject to U.S. federal income taxation unless:

- gain resulting from the Merger is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business (and, if required by any applicable income tax treaty, is attributable to a United States permanent establishment of the Non-U.S. Holder);
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the individual's taxable year in which the Merger occurs and certain other conditions are satisfied; or
- the Company is or has been a U.S. real property holding corporation (the "USRPHC") as defined in Section 897 of the Code at any time within the five-year period preceding the Merger, and the Non-U.S. Holder actually or constructively owned more than five percent of the Company's common stock at any time within that five-year period, provided that our common stock is regularly traded on an established securities market.

Any gain recognized by a Non-U.S. Holder described in the first bullet above generally will be subject to U.S. federal income tax on a net income basis at regular graduated U.S. federal income tax rates in the same manner as if such holder were a "U.S. person" as defined under the Code, subject to any applicable income tax treaty providing otherwise. A Non-U.S. Holder that is a corporation may also be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on after-tax profits effectively connected with a U.S. trade or business to the extent that such after-tax profits are not reinvested and maintained in the U.S. business.

Gain described in the second bullet above generally will be subject to U.S. federal income tax at a flat 30% rate, or a reduced rate if specified by an applicable income tax treaty, but may be offset by certain U.S. source capital losses, if any, of the Non-U.S. Holder.

With respect to the third bullet above, generally, the Company will be a USRPHC if the fair market value of our U.S. real property interests equals or exceeds 50% of the sum of the fair market values of our worldwide (domestic and foreign) real property interests and other assets used or held for use in a trade or business, all as determined under applicable Treasury Regulations. We believe that we are not currently, and do not expect to be at the Effective Time, a USRPHC. Further, we believe that we will not have been a USRPHC within the five-year period preceding the Effective Time. However, even if we are a USRPHC or were a USRPHC in the five-year period preceding the Effective Time, so long as our common stock is regularly traded on an established securities market, common stock held by a Non-U.S. Holder will be treated as a U.S. real property interest only if the Non-U.S. Holder actually or constructively held more than 5% of our common stock at any time during the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period for our common stock. If our common stock is treated as a U.S. real property interest with respect to a holder, then (i) any gain recognized by such Non-U.S. Holder with respect to such interest will be subject to U.S. federal income tax on a net income basis at regular graduated U.S. federal income tax rates in the same manner as if such holder were a "U.S. person" as defined under the Code, subject to any applicable income tax treaty providing otherwise, and (ii) a Non-U.S. Holder that is a corporation may also be subject to the additional "branch profits tax" described above.

Information Reporting and Backup Withholding

Payments made in exchange for shares of Company common stock pursuant to the Merger may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 24%). To avoid backup withholding, a U.S. Holder that does not otherwise establish an exemption should complete and return IRS Form W-9, certifying that such U.S. Holder is a U.S. person, the taxpayer identification number provided is correct and such U.S. Holder is not subject to backup withholding. In general, a Non-U.S. Holder will not be subject to U.S. federal backup withholding and information reporting with respect to cash payments to the Non-U.S. Holder pursuant to the Merger if the Non-U.S. Holder has provided the appropriate IRS Form W-8.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a holder's U.S. federal income tax liability, if any, provided that such holder furnishes the required information to the IRS in a timely manner.

Additional Withholding Considerations

Pursuant to legislation commonly known as the Foreign Account Tax Compliance Act ("FATCA"), U.S. withholding tax may also apply to certain types of payments made to "foreign financial institutions," as defined under such rules, and certain other non-U.S. entities. FATCA imposes a 30% withholding tax on certain payments of U.S. source income, and (subject to the proposed Treasury Regulations discussed below), the gross proceeds from the sale or other disposition of our common stock, paid to a foreign financial institution unless the foreign financial institution enters into an agreement with the U.S. Treasury Department and complies with the reporting and withholding requirements thereunder or, in the case of a foreign financial institution in a jurisdiction that has entered into an intergovernmental agreement with the United States, complies with the requirements of such agreement. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. An applicable intergovernmental agreement regarding FATCA between the United States and a foreign jurisdiction may modify the rules discussed in this paragraph. Proposed Treasury Regulations would eliminate FATCA withholding on payments of gross proceeds. Applicable withholding agents generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued, but such Treasury Regulations are subject to change. Holders of our common stock should consult their tax advisors regarding FATCA.

This summary of the material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of Company common stock should consult their tax advisors as to the specific tax consequences to them of the Merger, including the applicability and effect of the alternative minimum tax and the effect of any U.S. federal, state, local, foreign or other tax laws.

Financing of the Merger

The consummation of the Merger is not subject to Parent's ability to obtain financing.

The Company and Parent estimate that the total amount of funds required to complete the Merger and the transactions contemplated thereby and pay related fees and expenses will be approximately $20.3 million, consisting of approximately $20.1 million in cash Merger Consideration and approximately $0.2 million in transaction related fees and expenses. Parent expects this amount to be funded through available cash on hand.

We believe that Parent will have sufficient cash on the Closing Date to complete the Merger, but we cannot assure you of that. Its amount of cash might be insufficient if, among other things, Scotts Miracle-Gro's cash position at the Closing Date is materially different than at the date of the Merger Agreement.

Fees and Expenses

The estimated fees and expenses incurred or expected to be incurred by the Company in connection with the Merger are as follows:

Description	Amount
Financial advisory fees and expenses	$ 3,287,622
Legal, accounting and other professional fees and expenses	$ 865,000
SEC filing fees	$ 2,189
Printing and mailing costs	$ 100,000
Miscellaneous	$ 165,000
Total	$ 4,419,811

It is also expected that the Purchaser Parties will incur approximately $225,000 of legal, financial and other advisory fees.

The estimate for legal fees set forth in this proxy statement does not include any amounts attributable to any existing or future litigation challenging the Merger or in connection with any proceeding or other matters undertaken pursuant to the Dissenter's Rights Statutes. All fees and expenses incurred in connection with the Merger will be paid by the party incurring or required to incur such fees and expenses.

Governmental and Regulatory Approvals

The Merger Agreement provides that, except to the extent a different standard of efforts has been expressly agreed to and set forth in any provision of the Merger Agreement, the Company and Parent will cooperate with each other and use (and cause their respective affiliates to use) their respective reasonable best efforts to take or cause to be taken all actions necessary or advisable on its part under the Merger Agreement and applicable laws to consummate the transactions contemplated by the Merger Agreement as promptly as practicable, including preparing and filing, as promptly as practicable, documentation to effect all necessary notices, reports, consents, registrations, approvals, permits, authorizations, expirations of waiting periods and other filings and to obtain, as promptly as practicable, all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any governmental entity in order to consummate the transactions contemplated by the Merger Agreement.

Notwithstanding anything to the contrary set forth in the Merger Agreement:

- in no event will (i) any party to the Merger Agreement or any of their respective affiliates be required to agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action imposed, required or requested by a governmental entity in connection with its grant of any consent, registration, approval, permit or authorization necessary or advisable in order to consummate the transactions contemplated by the Merger Agreement to be obtained from any governmental entity that is not conditioned upon the consummation of the transactions contemplated by the Merger Agreement or (ii) the Company or any of its affiliates agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action in connection with the obtaining of any such consent, registration, approval, permit or authorization necessary that is not conditioned upon the consummation of the transactions contemplated by the Merger Agreement or that would result in any restrictions, limitations or requirements on the Company or its business or assets following the consummation of the transactions contemplated by the Merger Agreement without the prior written consent of Parent and subject to the following bullet; and

- the Parties agreed that neither the foregoing nor the "reasonable best efforts" standard will require, or be construed to require, Parent or any of its affiliates, (i) to resist, vacate, limit, reverse, suspend or prevent, through litigation, any actual, anticipated or threatened order seeking to delay, restrain, prevent, enjoin or otherwise prohibit or make unlawful the consummation of the transactions contemplated by the Merger Agreement or (ii) in order to obtain any consent, registration, approval, permit or authorization necessary or advisable in order to consummate the transactions contemplated by the Merger Agreement to be obtained from any governmental entity, to agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action that would be reasonably likely to have a material adverse effect on the anticipated benefits to Parent and its affiliates of the transactions contemplated by the Merger Agreement; provided that Parent may compel the Company to agree to any such term or condition or take any such actions (or agree to take such actions) so long as the effectiveness of such term or condition or action is conditioned upon the consummation of the Merger.

Parent has the right to direct all matters with any governmental entity consistent with its obligations under the Merger Agreement; provided that Parent and the Company will have the right to review in advance and, to the extent practicable, each will consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, any of their respective affiliates and any of their respective representatives, that appears in any filing made with, or written materials submitted to any governmental entity in connection with the transactions contemplated by the Merger Agreement. Neither the Company nor Parent will permit any of its or its affiliates or representatives to participate in any discussions or meetings with any governmental entity in respect of any documentation to effect all necessary notices, reports, consents, registrations, approvals, permits, authorizations, expirations of waiting periods and other filings or any investigation or other inquiry relating thereto or to the transactions contemplated by the Merger Agreement unless it consults with the other in advance and, to the extent permitted by such governmental entity, gives the other the opportunity to attend and participate. Each of the Company and Parent, as applicable, will (and will cause their respective affiliates to) promptly provide or cause to be provided to each governmental entity furnish all non-privileged or protected information and documents reasonably requested by any governmental entity or that are necessary or advisable to permit consummation of the transactions contemplated by the Merger Agreement.

Dissenter's Rights

Under the Dissenter's Rights Statutes (NRS 92A.300 through NRS 92A.500, inclusive), any stockholder who does not vote (and who does not cause or permit the stockholder's shares to be voted) in favor of the Merger Agreement Proposal will have the right to dissent from the Merger and, in lieu of receiving the Merger Consideration, obtain payment of the fair value (as defined in NRS 92A.320) of the stockholder's shares, but only if (1) the stockholder delivers to the Company, before the vote on the Merger Agreement Proposal is taken at the Special Meeting, written notice of the stockholder's intent to demand payment for the stockholder's shares if the Merger is effectuated, and (2) the stockholder complies with all other applicable requirements of under the Dissenter's Rights Statutes, which are reproduced in their entirety in Annex C to this proxy statement. If the Company and a former stockholder that remains entitled to and properly asserts dissenter's rights cannot agree on as to the fair value, the Company must then commence a proceeding in Nevada state district court to determine the fair value, which may be more than, equal to, or less than the Merger Consideration.

The Dissenter's Rights Statutes prescribe the procedures stockholders must follow, and the other requirements and conditions stockholders must satisfy, in order to preserve and exercise their right to dissent and demand payment of fair value. The discussion of the provisions set forth in this section is not a complete

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summary and is qualified in its entirety by reference to the text of the Dissenter's Rights Statutes, a copy of which is attached as Annex C to this proxy statement and is incorporated by reference herein. **To the extent there is any inconsistency between the summary of Nevada law regarding dissenter's rights in this proxy statement and the Dissenter's Rights Statutes, the text of the Dissenter's Rights Statutes shall govern.** Stockholders intending to exercise dissenter's rights should carefully review Annex C to this proxy statement and strictly adhere to the Dissenter's Rights Statutes. Failure to follow any of the statutory procedures precisely may result in a termination or waiver of these rights. A summary of the principal steps to be taken is set forth below for any stockholders intending to be deemed a dissenting stockholder and be entitled to exercise dissenter's rights. All references in this summary to a "stockholder" are to a record holder of common stock. The following discussion is a general summary of the Dissenter's Rights Statutes:

- When a corporate action subject to dissenter's rights is submitted to a vote at stockholders' meeting, the corporation must provide notice of dissenter's rights in the notice of meeting and proxy materials, along with a copy of the Dissenter's Rights Statutes (NRS 92A.300 through NRS 92A.500, inclusive). A corporation only needs to notify stockholders of record who are entitled to dissenter's rights, not all beneficial owners.
- If the corporate action is submitted to a vote at a stockholders' meeting, a stockholder wishing to dissent must (1) deliver written notice, before the vote is taken, of the stockholder's intent to demand payment for the stockholder's shares under the Dissenter's Rights Statutes if the proposed action is carried out, and (2) not vote (or cause or permit to be voted) any of the stockholder's shares in favor of the proposed action. A stockholder who is entitled to dissent and obtain payment pursuant to the Dissenter's Rights Statutes must not challenge the corporate action creating the entitlement unless the action is unlawful or constitutes or is the result of actual fraud against the stockholder or the corporation.
- If the corporation receives requisite stockholder approval for the proposed action and the corporate action is effectuated, the corporation must then deliver a written dissenter's notice to all stockholders of record who then remain entitled to assert their dissenter's rights within 10 days of the effective date of the corporate action. The dissenter's notice must:
  - State where the demand for payment must be sent and where and when share certificates, if any, must be deposited;
  - Inform the holders of shares not represented by certificates the extent to which the transfer of the shares will be restricted after the corporation receives the demand for payment;
  - Supply a form for demanding payment that includes the date of the first announcement to the news media or to the stockholders of the terms of the proposed action and requires that the person asserting dissenter's rights certify whether or not they acquired beneficial ownership of the shares before that date;
  - Set a date by which the corporation must receive the demand for payment, which must be no earlier than 30 days nor later than 60 days after the date the notice is delivered;
  - State that the stockholder shall be deemed to have waived the right to demand payment with respect to the shares unless the form is received by the corporation by the specified date; and
  - Be accompanied by a copy of the Dissenter's Rights Statutes.
- A stockholder who receives a dissenter's notice and who wishes to demand payment of fair value (as defined in NRS 92A.320) must then:
  - Demand payment;
  - Certify that the stockholder was the beneficial owner prior to the date specified in the dissenter's notice; and
  - Deposit the stockholder's certificates, if any, in accordance with the terms of the notice.

- Alternatively, a stockholder may nevertheless decline to exercise dissenter's rights and withdraw from the appraisal process by notifying the corporation in writing by the date specified in the dissenter's notice. After this date, the dissenter may withdraw only with the written consent of the corporation.
- Once a dissenting stockholder deposits the stockholder's certificates (or, in the case of uncertified shares, makes a demand for payment), the stockholders loses all rights as a stockholder, unless they later withdraw from the appraisal process.
- Within 30 days of receiving demand for payment, the corporation must pay the dissenter an amount the corporation estimates to be the fair value of the dissenter's shares, plus accrued interest. This payment must be accompanied by:
  - The corporation's balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, a statement of income for that year, a statement of changes in the stockholders' equity for that year or, whether such financial statements are not reasonably available, then such reasonably equivalent financial information and the latest available quarterly financial statements, if not reasonably available, then such reasonably equivalent financial information and the latest available quarterly financial statements, if any;
  - A statement of the corporation's estimate of the fair value of the shares; and
  - A statement of the dissenter's rights to contest the corporation's estimate of fair value.
- If a dissenting stockholder wishes to contest the corporation's estimate of fair value, the dissenter must notify the corporation in writing within 30 days of receiving the corporation's initial payment. The dissenter must provide the dissenter's own estimate of fair value plus interest and demand that the corporation pay the difference between this estimate and the corporation's estimate.
  - The corporation must either pay the additional amount or commence judicial proceedings in Nevada state district court within 60 days of receiving the demand and petition the court to determine the fair value of the shares and accrued interest. The costs of the judicial proceeding, including the reasonable compensation and expenses of court-appointed appraisers, shall be assessed against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously or not in good faith in demanding payment. The court may also assess the fees and expenses of the counsel and experts for the respective parties, in amounts the court finds equitable:
    - Against the corporation and in favor of all dissenters if the court finds the subject corporation did not substantially comply with the requirements of the Dissenter's Rights Statutes; or
    - Against either the corporation or a dissenter in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously or not in good faith with respect to the rights provided by the Dissenter's Rights Statutes.

ANY HOLDER WHO WISHES TO BE DEEMED A DISSENTING STOCKHOLDER AND BE ENTITLED TO EXERCISE DISSENTER'S RIGHTS, OR WHO WISHES TO PRESERVE SUCH HOLDER'S RIGHT TO DO SO, SHOULD CAREFULLY REVIEW THE FOREGOING SUMMARY AND ANNEX C BECAUSE FAILURE TO TIMELY AND PROPERLY COMPLY WITH THE PROCEDURES SPECIFIED THEREIN WILL RESULT IN THE LOSS OF DISSENTER'S RIGHTS. MOREOVER, BECAUSE OF THE COMPLEXITY OF THE PROCEDURES FOR EXERCISING THE RIGHT TO SEEK APPRAISAL OF SHARES, THE COMPANY BELIEVES THAT, IF A STOCKHOLDER CONSIDERS EXERCISING SUCH RIGHTS, SUCH STOCKHOLDER SHOULD SEEK THE ADVICE OF SUCH STOCKHOLDER'S LEGAL COUNSEL.

Closing and Effective Time of the Merger

The Closing will take place by the exchange of documents by facsimile, PDF or other electronic means at 10:00 a.m. Eastern Time on the third business day following the satisfaction or waiver of the last of the conditions set forth in the Merger Agreement and described in “The Merger Agreement—Conditions to Completion of the Merger” (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted by law, waiver of those conditions) or at such other date, time and place as the Company and Parent may agree in writing.

The Merger will become effective at the date and time when the articles of merger have been duly filed with and accepted by the Nevada Secretary of State, or such later date and time as may be agreed by the parties in writing and specified in the articles of merger in accordance with the NRS. As of the date of this proxy statement, we expect to complete the Merger in the first calendar quarter of 2021; however, consummation of the Merger is subject to the satisfaction or (to the extent permitted by applicable law) waiver of the conditions to the completion of the Merger more fully described in “The Merger Agreement—Conditions to Completion of the Merger,” including, but not limited to, the approval of the Merger Agreement Proposal by a majority of the outstanding shares of common stock entitled to vote on such matter at the Special Meeting, and we cannot specify when, or assure you that, the Company, Parent and Merger Sub will satisfy or waive all or any conditions to the Merger. There may be a substantial amount of time between the date of the Special Meeting and the consummation of the Merger and it is possible that factors outside the control of the Company or Parent could delay the consummation of the Merger, or prevent the Merger from being consummated. However, we expect to consummate the Merger promptly following the satisfaction or (to the extent permitted by applicable law) waiver of the conditions more fully described below in “The Merger Agreement—Conditions to Completion of the Merger.”

Anticipated Date of Completion of the Merger

Assuming timely satisfaction of necessary closing conditions, including the approval by our stockholders of the Merger Agreement Proposal, we currently anticipate that the Merger will be completed in the first calendar quarter of 2021. There are no governmental approvals needed to effectuate the Merger or consummate the other transactions contemplated by the Merger Agreement. However, the exact timing of completion of the Merger cannot be predicted because the Merger is subject to the closing conditions described in “The Merger Agreement—Conditions to Completion of the Merger,” many of which are outside of our control.

Payment of Merger Consideration

Prior to the Effective Time of the Merger, Parent will designate a Paying Agent (as defined in “The Merger Agreement—Exchange and Payment Procedures”) to exchange the shares of common stock for the Merger Consideration. As promptly as practicable after the Effective Time, but on the Closing Date, Parent will deposit or cause to be deposited with the Paying Agent sufficient cash to pay the aggregate Merger Consideration. The Paying Agent will promptly pay each holder of record entitled to receive the Merger Consideration upon the entry through a book-entry transfer agent of the surrender of such shares of common stock on a book-entry account statement. Interest will not be paid or accrue in respect of any cash payments of the Merger Consideration. The Paying Agent will reduce the amount of any Merger Consideration paid by any applicable withholding taxes.

After the completion of the Merger, you will cease to have any rights as a stockholder of the Company other than the right to receive the Merger Consideration upon the terms and subject to the conditions set forth in the Merger Agreement (except stockholders who have duly preserved, demanded and perfected, and not withdrawn or otherwise waived or lost, dissenter’s rights pursuant to the Dissenter’s Rights Statutes, who will instead have the rights available pursuant to those statutes).

Any portion of the Exchange Fund (as defined in "The Merger Agreement—Exchange and Payment Procedures") (including the proceeds of any investments thereof (if any)) that remains unclaimed by the holders of shares of common stock for one year from and after the Closing Date will be delivered to Parent or the surviving corporation, as determined by Parent. Any former holder of Eligible Shares who has not theretofore complied with the procedures, materials and instructions contemplated above will thereafter look only to the surviving corporation as a general creditor thereof for such payments (after giving effect to any required tax withholdings) in respect thereof.

YOU SHOULD NOT FORWARD YOUR STOCK CERTIFICATES TO THE PAYING AGENT WITHOUT A LETTER OF TRANSMITTAL, AND YOU SHOULD NOT RETURN YOUR STOCK CERTIFICATES WITH THE ENCLOSED PROXY CARD.

Provisions for Unaffiliated Stockholders

No provision has been made to grant the Company's stockholders, other than Parent or its affiliates, access to the corporate files of the Company or any other party to the Merger or to obtain counsel or appraisal services at the expense of the Company or any other such party.

Other Matters

If you hold your shares in certificated form, you should not return your stock certificate or send documents representing shares with the proxy card. If the Merger is completed, the Paying Agent for the Merger will send you a letter of transmittal and instructions for exchanging your shares for the Merger Consideration. If the Merger is completed and if your shares are held in book-entry form, the Paying Agent will issue and deliver to you a check or wire transfer for your shares.

Deregistration of AeroGrow Common Stock

If the Merger is completed, our common stock will no longer be quoted on the OTCQB and will be deregistered under the Exchange Act. Thereafter, we will no longer file periodic reports with the SEC.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement includes, or incorporates by reference, forward-looking statements. All statements included or incorporated by reference in this proxy statement, other than statements of historical fact, are forward-looking statements. Statements about the expected timing, completion and effects of the Merger and related transactions, the management projections and all other statements in this proxy statement and the annexes hereto, other than historical facts, constitute forward-looking statements. When used in this proxy statement, the words "expect," "believe," "anticipate," "goal," "plan," "intend," "estimate," "may," "will" or similar words are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as of the date hereof and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. The Company may not be able to complete the Merger on the terms described herein or other acceptable terms or at all because of a number of factors, including, but not limited to: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (2) the failure to obtain the Requisite Company Vote or the failure to satisfy the closing conditions in the Merger Agreement, (3) risks related to disruption of management's attention from the Company's ongoing business operations due to the Merger, (4) the effect of the announcement of the Merger on the ability of the Company to retain and hire key personnel and maintain relationships with its customers, suppliers, operating results and business generally, (5) the Merger may involve unexpected costs, liabilities or delays, (6) the Company's business may suffer as a result of the uncertainty surrounding the Merger, including the timing of the consummation of the Merger, (7) the outcome of any legal proceeding relating to the Merger, (8) the Company may be adversely affected by other economic, business and/or competitive factors, including, but not limited to, those related to COVID-19, and (9) other risks to consummation of the Merger, including the risk that the Merger will not be consummated within the expected time period or at all, which may adversely affect the Company's business and the price of the common stock.

Actual results may differ materially from those indicated by such forward-looking statements. In addition, the forward-looking statements represent the Company's views as of the date on which such statements were made. The Company anticipates that subsequent events and developments may cause its views to change. Although the Company may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, except as required by law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date hereof. Additional factors that may affect the business or financial results of the Company are described in the risk factors included in the Company's filings with the SEC, including the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed with the SEC on June 23, 2020, which is incorporated by reference herein, as updated by the Company's subsequent filings with the SEC. The Company expressly disclaims a duty to provide updates to forward-looking statements, whether as a result of new information, future events or other occurrences, except as required by law.

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THE SPECIAL MEETING

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies by the Board for use at the Special Meeting.

Date, Time and Place of the Special Meeting

We will hold the Special Meeting on February 23, 2021, at 10:00 a.m., Mountain Time. The Special Meeting is scheduled to be held exclusively online. There will not be a physical meeting location. The Special Meeting can be accessed by visiting www.virtualshareholdermeeting.com/AERO2021SM, where you will be able to attend the Special Meeting, vote and submit your questions during the Special Meeting. We encourage you to allow ample time for online check-in, which will open at 9:45 a.m., Mountain Time. Please note that you will not be able to attend the Special Meeting in person. We have chosen to hold a virtual rather than an in-person Special Meeting given the current public health implications of the novel coronavirus (COVID-19) and our desire to promote the health and welfare of our directors, officers and stockholders.

Purpose of the Special Meeting

The purpose of the Special Meeting is for our stockholders to approve the Merger Agreement Proposal relating to the proposed acquisition of the Company by Parent, a direct, wholly-owned subsidiary of Scotts Miracle-Gro. Our stockholders must approve the Merger Agreement Proposal for the Merger to occur. If our stockholders fail to approve the Merger Agreement Proposal, the Merger will not occur. A copy of the Merger Agreement is attached to this proxy statement as Annex A, which we encourage you to read carefully in its entirety, and the material provisions of the Merger Agreement are described under "The Merger Agreement."

Record Date; Shares Entitled to Vote; Quorum

Only holders of record of our common stock as of the close of business on January 8, 2021, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof. On the Record Date, 34,328,036 shares of common stock were outstanding and entitled to vote at the Special Meeting.

Each share of common stock is entitled to one vote per share. Therefore, a total of 34,328,036 votes are eligible to be cast at the Special Meeting.

A majority of the shares of common stock entitled to vote, represented via the Virtual Special Meeting Website or by proxy, regardless of whether the proxy has authority to vote on the Merger Agreement Proposal, will constitute a quorum at the Special Meeting, permitting the Company to conduct its business at the Special Meeting.

Treasury shares, which are shares owned by the Company itself, are not voted and do not count for the purpose of establishing a quorum. Once a share is represented at the Special Meeting, it will be counted for the purpose of determining a quorum at the Special Meeting. However, if a new record date is set for an adjourned Special Meeting, then a new quorum will have to be established. Proxies received but marked as abstentions will be included in the calculation of the number of shares considered to be present at the Special Meeting. Broker non-votes, as described below under the sub-heading "—Vote Required; Abstentions and Broker Non-Votes," if any, will not be considered to be present at the Special Meeting. If less than a majority of the issued and outstanding shares of common stock entitled to vote at the Special Meeting on the Record Date are present via the Virtual Special Meeting Website or represented by proxy at the Special Meeting, the stockholders entitled to vote thereat, present via the Virtual Special Meeting Website or represented by proxy, may adjourn the Special Meeting from time to time without notice other than announcement at the Special Meeting (unless a new Record Date is set, or if the adjournment is for more than 30 days) to any stockholder not present at the Special Meeting, to a specified date not later than 60 days after such adjournment.

Vote Required; Abstentions and Broker Non-Votes

For the Company to complete the Merger, under Nevada law, holders of a majority of the outstanding shares of common stock at the close of business on the Record Date must vote "**FOR**" the Merger Agreement Proposal. In addition, under the Merger Agreement, the receipt of such required vote is a condition to the consummation of the Merger. The transaction has not been structured to require the approval of the holders of at least a majority of the shares of common stock beneficially owned by security holders unaffiliated with the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro and our directors who are affiliated with Scotts Miracle-Gro, to the extent such directors beneficially own any shares of common stock). Furthermore, such approval is not required under Nevada law for us to complete the Merger. As of the Record Date, there were 34,328,036 shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock. Subject to the terms of the Merger Agreement, Parent has agreed to vote all shares of common stock it beneficially owns in favor of the Merger Agreement Proposal. See "Special Factors—Parent's Obligation to Vote in Favor of the Merger." A failure to vote your shares, an abstention from voting or a broker non-vote will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

In accordance with applicable stock exchange rules, brokers, banks, trustees or other nominees who hold shares in "street name" for their customers do not have discretionary authority to vote the shares with respect to the Merger Agreement Proposal. Accordingly, if brokers, banks, trustees or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the Merger Agreement Proposal. Under such circumstance, a "broker non-vote" would arise. Broker non-votes, if any, will not be counted for purposes of determining whether a quorum is present at the Special Meeting and will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal. For shares held in "street name," only shares affirmatively voted "**FOR**" the Merger Agreement Proposal will be counted as a favorable vote for the Merger Agreement Proposal. Because the Merger Agreement Proposal is a non-routine matter for which brokers do not have discretionary authority to vote, we do not expect any broker non-votes at the Special Meeting.

Parent's Obligation to Vote in Favor of the Merger

Subject to the terms of the Merger Agreement, Parent has agreed to vote all shares of common stock it beneficially owns in favor of the Merger Agreement Proposal. As of January 20, 2021, there were 34,328,036 shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock.

Shares Held by the Company's Directors and Executive Officers

As of the Record Date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, 155,437 shares of common stock, or less than 1.0% of the aggregate shares of common stock entitled to vote at the Special Meeting. The directors have informed the Company that they currently intend to vote all of their shares "**FOR**" the Merger Agreement Proposal. Furthermore, although none of Ms. Ziegler and Messrs. Hagedorn and Miller holds voting or investment power over the shares owned by Parent and therefore each disclaims beneficial ownership over such shares, Parent is required to vote all of its shares "**FOR**" the Merger Agreement Proposal. The executive officers have not informed the Company of their intent to vote on the Merger Agreement Proposal. However, the Proxy Holders, who are both executive officers of the Company, intend to vote all of the shares over which they have proxy authority, "**FOR**" the Merger Agreement Proposal.

Voting of Proxies

Attendance and Voting at the Special Meeting

All holders of shares of common stock as of the Record Date, including stockholders of record and beneficial owners of shares registered in the "street name" of a broker, bank, trustee or other nominee, are invited to attend the Special Meeting via the Virtual Special Meeting Website.

To participate in the Special Meeting, visit www.virtualshareholdermeeting.com/AERO2021SM and enter the 16-digit control number included on your proxy card or on the instructions that accompanied your proxy materials. If you wish to submit a question during the Special Meeting, log into the Virtual Special Meeting Website, www.virtualshareholdermeeting.com/AERO2021SM, type your question into the "Ask a Question" field, and click "Submit." If your question is properly submitted during the relevant portion of the Special Meeting agenda, we will respond to your question during the live webcast.

If we experience technical difficulties during the Special Meeting (e.g., a temporary or prolonged power outage), we will determine whether the meeting can be promptly reconvened (if the technical difficulty is temporary) or whether the Special Meeting will need to be reconvened on a later day (if the technical difficulty is more prolonged). In any situation, we will promptly notify stockholders of the decision via www.virtualshareholdermeeting.com/AERO2021SM. If you encounter technical difficulties accessing our Special Meeting or asking questions during the Special Meeting, a support line will be available on the login page of the Virtual Special Meeting Website.

Please note that if your shares of common stock are held by a broker, bank or other nominee, and you wish to vote at the Special Meeting, you must obtain a proxy, executed in your favor, from your broker, bank, trustee or other nominee giving you the right to vote your shares at the Special Meeting.

Submitting a Proxy or Providing Voting Instructions

To ensure that your shares are voted at the Special Meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the Special Meeting via the Virtual Special Meeting Website.

Shares Held by Record Holder. If you are a stockholder of record, you may submit a proxy using one of the methods described below:

Submit a Proxy by Telephone or via the Internet. This proxy statement is accompanied by a proxy card with instructions for submitting votes by telephone or via the Internet. You may vote by telephone by calling the toll-free number or via the Internet by accessing the Internet address as specified on the enclosed proxy card. Your shares will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy card, as described below.

Submit a Proxy Card. If you complete, sign, date and return the enclosed proxy card by mail so that it is received in time for the Special Meeting, your shares will be voted in the manner directed by you on your proxy card. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the Merger Agreement Proposal. If you are a stockholder of record and fail to return your proxy card, unless you are a holder of record on the Record Date and attend the Special Meeting and vote via the Virtual Special Meeting Website, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting and will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

Shares Held in "Street Name." If your shares are held by a broker, bank, trustee or other nominee on your behalf in "street name," your broker, bank, trustee or other nominee will send you instructions as to how to provide voting instructions for your shares. Many banks and brokerage firms have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions via a voting instruction form.

In accordance with the applicable stock exchange rules, brokers, banks, trustees or other nominees who hold shares in “street name” for their customers do not have discretionary authority to vote the shares with respect to the Merger Agreement Proposal. Accordingly, if brokers, banks, trustees or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to Merger Agreement Proposal. Under such circumstance, a “broker non-vote” would arise. Broker non-votes, if any, will not be counted for purposes of determining whether a quorum is present at the Special Meeting and will have the same effect as a vote “**AGAINST**” the Merger Agreement Proposal. For shares held in “street name,” only shares affirmatively voted “**FOR**” the Merger Agreement Proposal will be counted as a favorable vote for the Merger Agreement Proposal. Because the Merger Agreement Proposal is a non-routine matter for which brokers do not have discretionary authority to vote, we do not expect any broker non-votes at the Special Meeting.

Revocability of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it any time before it is voted at the Special Meeting. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the Special Meeting by:

- submitting a new proxy with a later date, by using the telephone or Internet proxy submission procedures described above, or by completing, signing, dating and returning a new proxy card by mail to the Company;
- attending the Special Meeting and voting via the Virtual Special Meeting Website (however, simply attending the Special Meeting will not cause your proxy to be revoked); or
- delivering to the Corporate Secretary of the Company a written notice of revocation to: c/o AeroGrow International, Inc., 5405 Spine Road, Boulder, Colorado 80301.

Please note, however, that only your last-dated proxy will be effective. Attending the Special Meeting without taking one of the actions described above will not in itself revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy card or written notice of revocation in sufficient time for it to be received by the Company before the Special Meeting.

If you hold your shares in “street name” through a broker, bank, trustee or other nominee, you will need to follow the instructions provided to you by your broker, bank, trustee or other nominee in order to revoke your proxy or submit new voting instructions.

Tabulation of Votes

All votes will be tabulated by a representative of Broadridge Financial Solutions, Inc., who will act as the inspector of elections appointed for the Special Meeting and will separately tabulate affirmative and negative votes, abstentions and broker non-votes, if any.

Recommendation of the Board

The Special Committee evaluated the Merger Agreement and the Merger in consultation with the Special Committee’s legal and financial advisors and recommended the Merger Agreement and the Merger to the Board. The Special Committee unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby (including the Merger) were fair to, and in the best interests of, the Company and the holders of shares of common stock (including unaffiliated security holders, but excluding Parent and the Company), and (ii) recommended that the Board adopt and approve the Merger Agreement and approve the Merger. The Board (including Ms. Ziegler and Messrs. Hagedorn and Miller, who reminded the Board of their affiliation with Scotts Miracle-Gro), on behalf of the Company, based on the recommendation of the Special Committee and after consultation with the Company's legal and financial advisors, unanimously (i) adopted and approved the Merger Agreement and the transactions contemplated by the Merger Agreement (including the Merger), (ii) determined that the Merger Agreement and the transactions contemplated by the Merger Agreement (including the Merger) were fair to, and in the best interests of, the Company and the holders of shares of common stock (including unaffiliated security holders, but excluding Parent and the Company), (iii) directed that the Merger Agreement and the Merger be submitted for approval by a vote of the holders of common stock at the Special Meeting and (iv) recommended that the holders of common stock affirmatively vote to approve the Merger Agreement and the Merger. The approval of the Merger Agreement Proposal requires the vote of a majority of the outstanding shares of common stock entitled to vote on such matter at the Special Meeting. The transaction has not been structured to require the approval of the holders of at least a majority of the shares of common stock beneficially owned by security holders unaffiliated with the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro and our directors who are affiliated with Scotts Miracle-Gro, to the extent such directors beneficially own any shares of common stock). Furthermore, such approval is not required under Nevada law for us to complete the Merger.

The Board unanimously recommends that you vote "FOR" the Merger Agreement Proposal.

For a discussion of the material factors considered by the Board in reaching its conclusions, please refer to "Special Factors—Recommendation of the Board and Reasons for the Merger; Fairness of the Merger."

Solicitation of Proxies

The Board is soliciting your proxy, and we will bear the cost of soliciting proxies. We will bear all expenses incurred in connection with the solicitation of proxies. We may also reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to beneficial owners and in obtaining voting instructions from those owners. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Dissenter's Rights

Stockholders of the Company are entitled to dissenter's rights and payment for the fair value of their shares in connection with the Merger if they properly preserve and exercise their dissenter's rights under the provisions of the Dissenter's Rights Statutes (NRS 92A.300 through NRS 92A.500, inclusive), which are attached to this proxy statement as Annex C. If you want to preserve your ability to exercise these rights, you must deliver to the Company written notice of your intent to demand payment for your shares before the vote is taken on the Merger Agreement Proposal at the Special Meeting and you must not vote (or cause or permit to be voted) any of your shares in favor of the Merger Agreement Proposal. You must also comply with the other requirements set forth in the Dissenter's Rights Statutes. Failure of a stockholder to follow the procedures set forth in the Dissenter's Rights Statutes will result in the forfeiture of dissenter's rights, and cause such stockholders to be bound by the terms of the Merger, including receipt of the Merger Consideration. You are encouraged to read the provisions of the Dissenter's Rights Statutes carefully and in their entirety. Moreover, due to the complexity of the procedures for exercising dissenter's rights, stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. **Please see "Special Factors—Dissenter's Rights" for additional information and please read the attached Annex C carefully if you are considering dissenting.**

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Other Matters

If you hold your shares in certificated form, you should not return your stock certificate or send documents representing shares with the proxy card. If the Merger is completed, the Paying Agent for the Merger will send you a letter of transmittal and instructions for exchanging your shares for the Merger Consideration. If the Merger is completed and if your shares are held in book-entry form, the Paying Agent will issue and deliver to you a check or wire transfer for your shares.

Questions and Additional Information

If you have any questions concerning the Merger, the Special Meeting or this proxy statement, would like additional copies of this proxy statement or need help voting your shares, please contact the Company at:

AeroGrow International, Inc.
Attention: Senior Vice President of Finance and Administration
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THE MERGER AGREEMENT

The following section describes the material terms and provisions of the Merger Agreement. The description of the Merger Agreement in this section and elsewhere in this proxy statement are not complete and are qualified in their entirety by reference to the complete text of the Merger Agreement, a copy of which is attached to this proxy statement as Annex A and is incorporated by reference into this proxy statement. We encourage you to read the Merger Agreement carefully and in its entirety because this summary may not contain all the information about the Merger Agreement and the Merger that is important to you. The rights and obligations of the parties are governed by the express terms of the Merger Agreement and not by this section or any other information contained in this proxy statement. This section is not intended to provide you with any factual information about us. That information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in "Where You Can Find More Information." Capitalized terms in this section but not defined in this proxy statement have the meaning ascribed to such terms in the Merger Agreement.

Explanatory Note Regarding the Merger Agreement

The following summary of the Merger Agreement, and the copy of the Merger Agreement attached as Annex A to this proxy statement, are intended to provide information regarding the terms of the Merger Agreement and are not intended to provide any factual information about the Company or modify or supplement any factual disclosures about the Company in its public reports filed with the SEC. The representations, warranties, covenants and agreements described in this section and made in the Merger Agreement by the Company, Parent, Merger Sub and Scotts Miracle-Gro: (i) were made only for purposes of the Merger Agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Merger Agreement; and (iii) may be qualified and subject to important qualifications, limitations and supplemental information agreed to by the parties to the Merger Agreement in connection with negotiating the terms of the Merger Agreement. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to reports and documents filed with the SEC and, in some cases, were qualified by matters disclosed to Parent and Merger Sub by the Company in the Company Disclosure Schedule, which disclosures were not reflected in the Merger Agreement. In addition, the representations and warranties may have been included in the Merger Agreement for the purposes of allocating contractual risk between the parties to the Merger Agreement, rather than to establish matters as facts, and may be subject to standards of materiality applicable to such parties that differ from those applicable to investors. Stockholders are not third-party beneficiaries under the Merger Agreement (other than to enforce payment of the Merger Consideration after the Effective Time) and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, Parent, or Merger Sub or any of their respective affiliates or businesses. Moreover, information concerning the subject matter of the representations and warranties may have changed after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures, and such representations and warranties do not purport to be accurate as of the date of this proxy statement. Accordingly, you should not rely on such representations and warranties as characterizations of the actual state of facts at the time they were made or as of the date of this proxy statement. In addition, you should not rely on the covenants in the Merger Agreement as actual limitations on the respective businesses of the Company, Parent and Merger Sub because the parties may take certain actions that are consented to by the appropriate party, which consent may be given without prior notice to the public. The Merger Agreement is described below, and included as Annex A to this proxy statement, only to provide you with information regarding its terms and conditions, and not to provide you with any other factual information regarding the Company, Parent or Merger Sub or their respective businesses or affiliates. Accordingly, the representations, warranties, covenants and other agreements in the Merger Agreement should not be read alone and should be read in conjunction with the information provided elsewhere in this proxy statement and in our periodic and current reports, proxy statements and other documents filed with the SEC regarding us and our business. For additional information, please refer to "The Special Meeting—Questions and Additional Information."

Additional information about us may be found elsewhere in this proxy statement and our other public filings. Please see “The Special Meeting—Questions and Additional Information” and “Where You Can Find More Information.”

Form and Effects of the Merger; Articles of Incorporation and Bylaws; Directors and Officers

Upon the terms and subject to the conditions of the Merger Agreement, if the Merger is completed, the Merger Agreement provides that, at the Effective Time, Merger Sub will merge with and into the Company and the separate corporate existence of Merger Sub will cease. The Company will be the surviving corporation in the Merger (the “surviving corporation”) and will continue its corporate existence as a Nevada corporation after the Merger, and all properties, rights, privileges, powers and franchises of the Company and Merger Sub, and all claims, obligations, liabilities, debts and duties of the Company and Merger Sub, shall become the claims, obligations, liabilities, debts and duties of the surviving corporation.

The surviving corporation will be a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro, and our current stockholders will cease to have any ownership interest in the surviving corporation or rights as stockholders of the Company. Therefore, our current stockholders will not participate in any future earnings or growth of the surviving corporation and will not benefit from any appreciation in value of the surviving corporation that could be realized as a result of improvements to the surviving corporation’s operations following the Effective Time.

The articles of incorporation of the Company as in effect immediately prior to the Effective Time will be amended and restated to read in their entirety as set forth in Exhibit A to the Merger Agreement, which, as so amended and restated, will be the articles of incorporation of the surviving corporation, until thereafter amended in accordance with their terms and applicable law. The bylaws of the Company in effect as of immediately prior to the Effective Time will be amended and restated to read in their entirety as the bylaws of Merger Sub immediately prior to the Effective Time (except all references therein to the name of Merger Sub will be replaced with the name of the Company), which, as so amended and restated, will be the bylaws of the surviving corporation until thereafter amended in accordance with the terms of the articles of incorporation, such bylaws and applicable law.

Subject to applicable law, the directors of Merger Sub immediately prior to the Effective Time will be the directors of the surviving corporation, and the officers of Merger Sub immediately prior to the Effective Time will be the officers of the surviving corporation.

Following the completion of the Merger, the Company’s common stock will no longer be publicly traded or quoted on the OTCQB. In addition, the Company’s common stock will be deregistered under the Exchange Act, and the Company will no longer file periodic or current reports with the SEC.

Closing and Effective Time of the Merger

The Closing of the Merger will take place remotely by the exchange of documents by facsimile, PDF or other electronic means at 10:00 a.m. Eastern Time on the third business day following the satisfaction or waiver of the conditions set forth in in the Merger Agreement to be satisfied (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted by law, waiver of those conditions) or at such other date, time and place as the Company and Parent may agree in writing.

Pursuant to NRS 92A.240, the Merger will become effective at the date and time when the articles of merger relating to the Merger have been duly filed with and accepted by the Nevada Secretary of State, or such later date and time as may be agreed by the parties to the Merger Agreement in writing and specified in the articles of merger in accordance with the NRS. We expect to complete the Merger as promptly as practicable after our stockholders approve the Merger Agreement Proposal (assuming the prior satisfaction or (to the extent permitted by applicable law) of the other closing conditions to the Merger as described below under the caption " —Conditions to Completion of the Merger"). As of the date of this proxy statement, we expect to complete the Merger in the first calendar quarter of 2021; however, consummation of the Merger is subject to the satisfaction or (to the extent permitted by applicable law) waiver of the conditions to the completion of the Merger more fully described below under the caption " —Conditions to Completion of the Merger" and we cannot specify when, or assure you that, the Company, Parent and Merger Sub will satisfy or waive all or any conditions to the Merger. There may be a substantial amount of time between the date of the Special Meeting and the consummation of the Merger and it is possible that factors outside the control of the Company or Parent could delay the consummation of the Merger, or prevent the Merger from being consummated.

Merger Consideration

Effect of the Merger on the Company's Common Stock

At the Effective Time, except as noted below:

- Each share of common stock (other than the Excluded Shares and Dissenting Shares (each as defined below)) issued and outstanding immediately prior to the Effective Time (such shares, the "Eligible Shares") will be automatically converted into the right to receive $3.00 in cash, without interest thereon and subject to any required withholding of taxes, will cease to be outstanding, will be cancelled and will cease to exist, and each certificate representing Eligible Shares, and each book-entry account formerly representing non-certificated Eligible Shares (a "book-entry share"), will thereafter only represent the right to receive $3.00 in cash, without interest thereon and subject to any required withholding of taxes (the "Merger Consideration").
- Shares of common stock owned by Parent and any shares of common stock owned by the Company (collectively, the "Excluded Shares") will be cancelled without payment of any consideration and shall cease to exist.
- Shares of common stock (the "Dissenting Shares") outstanding immediately prior to the Effective Time and held immediately prior to the Effective Time by a person which (i) immediately prior to the Effective Time is the holder of Dissenting Shares and (ii) has duly preserved, demanded and perfected, and has not withdrawn or otherwise waived or lost, dissenter's rights pursuant to NRS 92A.300 through NRS 92A.500, inclusive (such person, a "Dissenting Stockholder"), will be cancelled without payment of any consideration and shall cease to exist. No Dissenting Stockholder will be entitled to receive the Merger Consideration with respect to the Dissenting Shares formerly owned by such Dissenting Stockholder. Each Dissenting Stockholder will be entitled to receive only the payment of the fair value (as defined in NRS 92A.320) of the Dissenting Shares formerly owned by such Dissenting Stockholder in accordance with the Dissenter's Rights Statutes, solely to the extent such Dissenting Stockholder has perfected and not withdrawn or otherwise lost, and is otherwise entitled to, dissenter's rights in accordance with the Dissenter's Rights Statutes. However, if any Dissenting Stockholder withdraws its assertion or demand for dissenter's rights or otherwise waives or loses its dissenter's rights under the Dissenter's Rights Statutes with respect to any Dissenting Shares, such Dissenting Shares will be deemed to have been Eligible Shares and thereupon be converted into the right to receive, without any interest thereon, the Merger Consideration with respect to such Eligible Shares pursuant to the Merger Agreement.
- Each share of common stock of Merger Sub issued and outstanding immediately prior to the Effective Time will be automatically converted into one share of common stock, par value $0.001 per share, of the surviving corporation.

Treatment of Equity Awards

The Company has no outstanding equity awards.

Exchange and Payment Procedures

As promptly as practicable after the Effective Time, but on the Closing Date, Parent will deposit, or cause to be deposited, with a paying agent selected and engaged by Parent prior to the Closing Date that is reasonably acceptable to the Special Committee (the "Paying Agent"), an amount in cash in immediately available funds sufficient in the aggregate to provide all funds necessary for the Paying Agent to make payments in respect of the Eligible Shares upon the surrender thereof in exchange for the Merger Consideration (the aggregate amount of cash deposited, the "Exchange Fund").

As promptly as reasonably practicable after the Effective Time (but in any event within three business days thereafter), Parent will cause the Paying Agent to mail or otherwise provide each former holder of record of Eligible Shares that are held in the form of certificates or book-entry shares not held through DTC notice advising such holders of the effectiveness of the Merger, which notice will include (i) appropriate transmittal materials (including a customary letter of transmittal) specifying that delivery will be effected, and risk of loss and title to such certificates and book-entry shares will pass only upon delivery of the certificates (or affidavits of loss in lieu of the certificates) or the surrender of such book-entry shares, as applicable, to the Paying Agent and (ii) instructions for effecting the surrender of the certificates (or affidavits of loss in lieu of the certificates) or such book-entry shares (which will be deemed to have been effected upon the delivery of a customary "agent's message" with respect to such book-entry shares or such other reasonable evidence, if any, of such surrender as the Paying Agent may reasonably request) to the Paying Agent in exchange for the Merger Consideration that such holder is entitled to receive as a result of the Merger.

With respect to book-entry shares held of record through DTC, Parent and the Company will cooperate to establish procedures with the Paying Agent, DTC and such other necessary or desirable third-party intermediaries to ensure that the Paying Agent will transmit to DTC or its nominees as promptly as practicable after the Effective Time, upon surrender of book-entry shares held of record by DTC or its nominees in accordance with DTC's customary surrender procedures and such other procedures as agreed by Parent, the Company, the Paying Agent, DTC and such other necessary or desirable third-party intermediaries, the Merger Consideration to which the beneficial owners thereof are entitled pursuant to the terms of the Merger Agreement.

Upon surrender to the Paying Agent of certificates or book-entry shares in accordance with the instructions set forth in the Merger Agreement, as applicable, the holder of such certificate or book-entry share will be entitled to receive in exchange therefor, and Parent shall cause the Paying Agent to pay and deliver, out of the Exchange Fund, as promptly as practicable to such holder, an amount in cash in immediately available funds (after giving effect to any required tax withholdings as provided in the Merger Agreement) equal to the aggregate Merger Consideration that such holder is entitled to receive as a result of the Merger.

For the avoidance of doubt, no interest will be paid or accrued for the benefit of any former holder of Eligible Shares on any amount payable upon the surrender of any certificates or book-entry shares.

In the event of a transfer of ownership of any certificate that is not registered in the stock transfer books or ledger of the Company, or if the consideration payable is to be paid in a name other than that in which the certificate or certificates surrendered or transferred in exchange therefor are registered in the stock transfer books or ledger of the Company, a check for any cash to be exchanged upon due surrender of any such certificate or certificates may be issued to such a transferee if the certificate is or the certificates are properly endorsed and otherwise in proper form for surrender and presented to the Paying Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable transfer taxes have been paid or are not applicable, in each case, in form and substance reasonably satisfactory to Parent and the Paying Agent. Payment of the Merger Consideration with respect to book-entry shares will only be made to the person in whose name such book-entry shares are registered in the stock transfer books or ledger of the Company.

YOU SHOULD NOT FORWARD YOUR STOCK CERTIFICATES TO THE PAYING AGENT WITHOUT A LETTER OF TRANSMITTAL, AND YOU SHOULD NOT RETURN YOUR STOCK CERTIFICATES WITH THE ENCLOSED PROXY CARD.

At the Effective Time, we will close our stock transfer books. After our stock transfer books are closed, there will be no transfer of shares of common stock that were outstanding immediately prior to the Effective Time on the stock transfer books of the Company. If, after the Effective Time, any certificate or acceptable evidence of book-entry share formerly representing any Eligible Shares is presented to the surviving corporation, Parent or Paying Agent for transfer, it will be cancelled and exchanged for payment of the Merger Consideration to which the holder of such Eligible Shares would be entitled.

Any portion of the Exchange Fund (including the proceeds of any investments thereof (if any)) that remains unclaimed by the holders of shares of common stock for one year from and after the Closing Date will be delivered to Parent or the surviving corporation, as determined by Parent. Any former holder of Eligible Shares who has not theretofore complied with the procedures, materials and instructions contemplated above will thereafter look only to the surviving corporation as a general creditor thereof for such payments (after giving effect to any required tax withholdings) in respect thereof.

The letter of transmittal will include instructions if you have lost the share certificate or if it has been stolen or destroyed. **If you have lost a stock certificate, or if it has been stolen or destroyed, you will have to provide an affidavit to that fact and, if required by Parent or the Paying Agent, post a bond in customary amount or an indemnity on terms reasonably requested by Parent or the Paying Agent.**

Representations and Warranties

In the Merger Agreement, the Company has made customary representations and warranties to Parent and Merger Sub that are subject, in some cases, to specified exceptions and qualifications contained in the Merger Agreement and the matters contained in the Company Disclosure Schedule delivered by the Company in connection with the Merger Agreement. These representations and warranties relate to, among other things:

- corporate matters, such as organization, good standing and qualification to do business;
- that we do not have any subsidiaries;
- our capital structure and absence of any outstanding equity awards, including stock options;
- our corporate power and authority to carry on our businesses, to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement, the due execution and delivery of the Merger Agreement by, and enforceability of the Merger Agreement against, us, as well as our receipt of the fairness opinion from Stifel;
- governmental and other filings and the absence of any breaches or violations of, or a default under our articles of incorporation or bylaws, applicable laws and orders and certain agreements to which we are a party, as a result of entering into and performing under the Merger Agreement and consummating the transactions contemplated by the Merger Agreement;
- our compliance with certain laws and receipt and maintenance of certain licenses;
- our filings with and other documents furnished to the SEC;
- our disclosure controls and procedures and internal control over financial reporting;
- our financial statements, the absence of any undisclosed liabilities and “off-balance sheet arrangements” and our books and records;
- absence of certain litigation;

- absence of certain changes;
- our material contracts;
- absence of affiliate transactions;
- employee benefit matters;
- labor and employment matters;
- environmental matters;
- tax matters;
- our leased real property and the absence of owned real property;
- title to tangible property;
- intellectual property;
- insurance;
- the inapplicability of state takeover statutes or regulations to the Merger; and
- absence of any brokers, finders or investment banks employed by us in connection with the Merger, and fees or commissions payable thereto, other than the employment of Sitfel by us as a financial advisor to the Special Committee.

In the Merger Agreement, Parent and Merger Sub have made customary representations and warranties to the Company that are subject, in some cases, to specified exceptions and qualifications contained in the Merger Agreement. These representations and warranties relate to, among other things:

- corporate matters, such as organization, good standing and qualification to do business;
- corporate power and authority to carry on Parent's and Merger Sub's respective businesses, to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement and the due execution and delivery of the Merger Agreement by, and the enforceability of the Merger Agreement against, Parent and Merger Sub;
- governmental and other filings and the absence of any breaches or violations of, or a default under the organizational documents of Parent and Merger Sub, applicable laws and orders and certain agreements to which Parent and Merger Sub are a party, as a result of entering into and performing under the Merger Agreement and consummating the transactions contemplated by the Merger Agreement;
- absence of certain litigation;
- sufficiency of funds to satisfy the obligations of Parent and Merger Sub under the Merger Agreement and in connection with the consummation of the transactions contemplated by the Merger Agreement; and
- absence of any brokers, finders or investment banks employed by Parent in connection with the Merger, and fees or commissions payable thereto.

Material Adverse Effect Definitions

Many of the representations and warranties made by the Company to Parent and Merger Sub in the Merger Agreement are qualified by what is material or what may cause a Material Adverse Effect.

For purposes of the Merger Agreement, a "Material Adverse Effect" means any event, change, effect, development, state of facts, condition, circumstance or occurrence that has a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operation of the Company; provided, however, in no event will any of the following events, changes, effects, developments, states of facts, conditions, circumstances or occurrences be deemed to constitute, nor be taken into account in determining whether there has been or may be, a Material Adverse Effect:

- changes in or affecting general political or economic conditions or the financial, credit, or securities markets in the United States;
- changes in or conditions generally affecting the industry in which the Company operates; or
- resulting from or arising out of:
  - the announcement of, or taking any action expressly required by the Merger Agreement or the transactions contemplated by the Merger Agreement;
  - any taking of any action at the written request of Parent or Merger Sub, solely to the extent so requested;
  - change in law, GAAP, or accounting standards or interpretations thereof after the date of the Merger Agreement;
  - any outbreak or escalation of hostilities or acts of war or terrorism or epidemics or pandemics (including the novel coronavirus COVID-19 but only to the extent that there is a material worsening of such outbreak that actually occurs after the date of the Merger Agreement in the markets in which the Company operates);
  - weather or climate conditions, including any earthquakes, floods, hurricanes, tropical storms, fires or other natural disasters;
  - any action initiated or threatened on or after the date of the Merger Agreement by any stockholder of the Company against the Company or any of its directors or officers arising out of the Merger Agreement or the transactions contemplated by the Merger Agreement; or
  - any change in the pricing or trading volume of the Company's common stock or the failure of the Company to meet any projections or forecasts (provided in the case of this sub-bullet, the event, change, effect, development, condition, circumstance, cause or occurrence underlying such change or failure will not be excluded and may be taken into account, in determining whether there has been or may be a Material Adverse Effect);

provided, that any event, change, effect, development, state of facts, condition, circumstance or occurrence referred to in the first and second bullets and the third, fourth and fifth sub-bullets of the third bullet will not be excluded, and may be taken into account, in determining whether there has been or may be a Material Adverse Effect to the extent the Company is adversely affected thereby in a disproportionate manner relative to other similarly-situated participants in the industry in which the Company operates.

Some of the representations and warranties made by Parent and Merger Sub to the Company in the Merger Agreement are qualified by what is material or what may cause a Parent Material Adverse Effect. For purposes of the Merger Agreement, a "Parent Material Adverse Effect" means, any event, change, development, circumstance, fact or effect that, individually or taken together with any other events, changes, developments, circumstances, facts or effects, is or would reasonably be expected to prevent, materially delay or materially impair the consummation by Parent or Merger Sub of the Merger or the transactions contemplated by the Merger Agreement.

Covenants and Agreements

Interim Operations

We have agreed in the Merger Agreement that, from the date of the Merger Agreement and until the Effective Time (unless Parent otherwise approves in writing, with such approval not to be unreasonably withheld, conditioned or delayed), and except as otherwise expressly required by the Merger Agreement or as required by applicable law, we will conduct our business in the ordinary course of business consistent with past practice and, to the extent consistent therewith, use reasonable best efforts to preserve our business organization intact and maintain satisfactory relations and goodwill with governmental entities, customers, suppliers, licensors, licensees, distributors, creditors, lessors, employees and business associates, and to keep available the services of our present employees and agents

From the date of the Merger Agreement to the Effective Time, we are subject to customary operating covenants and restrictions, including restrictions relating to our ability to:

- adopt or propose any change to our articles of incorporation or bylaws;
- merge or consolidate with any other person or restructure, reorganize or liquidate or enter into any agreement imposing material changes or restrictions on our assets, operations or business;
- acquire assets from any other person, except for acquisitions of raw materials, inventory, equipment, tooling and supplies in the ordinary course of business consistent with past practice;
- issue, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, encumber, or otherwise enter into any contract or understanding with respect to the voting of, any shares of our capital stock, subject to certain exceptions;
- enter into any contract with any director or officer of the Company or certain beneficial owners of one percent or more of the outstanding shares of our common stock, subject to certain exceptions;
- create or incur any encumbrance that is not incurred in the ordinary course of business consistent with past practice on any of our assets;
- make any loans, advances, guarantees or capital contributions to or investments in any person;
- declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to our common stock;
- reclassify, split, combine, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any shares of our common stock or securities convertible or exchangeable into or exercisable for any shares of our common stock;
- incur any indebtedness;
- enter into any material contract;
- terminate or amend, modify, supplement or waive, or assign, convey, encumber or otherwise transfer, in whole or in part, rights or interest pursuant to or in any material contract, subject to certain exceptions;
- cancel, modify or waive any debts or claims held by us or waive any material rights;
- amend, modify, terminate, cancel or let lapse an insurance policy, unless simultaneous with such termination, cancellation or lapse, a replacement self-insurance program is established, subject to certain exceptions, terms and conditions;
- settle or compromise any proceeding for an amount in excess of $100,000 individually or $250,000 in the aggregate during any calendar year, subject to certain exceptions;
- make any changes with respect to our legal structure or accounting policies or procedures, except as required by changes in GAAP or law;
- enter into any line of business in any geographic area other than existing lines of business and lines of products and services reasonably ancillary to an existing line of business;
- make any material changes to existing lines of business or adopt or make any material modifications to our strategic plan;

- make, change or revoke any tax election, change an annual tax accounting period, adopt or change any tax accounting method, file any amended tax return, enter into any closing agreement with respect to taxes, settle any tax claim, audit, assessment or dispute, surrender any right to claim a refund or take any action which would be reasonably expected to result in an increase in our tax liability, or, in respect of any taxable period (or portion thereof) ending after the Closing Date, the tax liability of Parent or its affiliates;
- transfer, sell, lease, divest, cancel, allow to lapse or expire, or otherwise dispose of or transfer, or permit or suffer to exist the creation of any encumbrance upon, any assets (tangible or intangible, including any intellectual property rights), licenses, product lines or business of the Company, subject to certain exceptions;
- cancel, abandon or otherwise allow to lapse or expire any intellectual property rights, subject to certain exceptions;
- adopt or implement any shareholder rights plan or similar arrangement;
- subject to certain exceptions, (i) increase in any manner the compensation or fees, bonus, pension, welfare, fringe or other benefits, severance or termination pay of any employee, except reasonable holiday bonuses payable to all employees, reasonable compensation adjustments for customer service employees, and reasonable compensation adjustments required for exceptional performance or specific needs not to exceed $100,000 in the aggregate unless approved in advance by the Board, (ii) become a party to, establish, adopt, amend, commence participation in or terminate any benefit plan or any arrangement, (iii) grant any new awards, or amend or modify the terms of any outstanding awards, under any benefit plan, (iv) take any action to accelerate the vesting or lapsing of restrictions or payment, or fund or in any other way secure the payment, of compensation or benefits under any benefit plan, (v) forgive any loans or make any extensions of credit in the form of a personal loan to any employee (other than routine travel advances issued in the ordinary course of business), (vi) hire any employee or engage any independent contractor (who is a natural person) with an annual salary or wage rate or consulting fees and target cash bonus opportunity in excess of $100,000 or (vii) terminate the employment of any executive officer other than for cause;
- become a party to, establish, adopt, amend, commence participation in or terminate any collective bargaining agreement or other agreement with a labor union, labor organization, works council or similar organization;
- fail to maintain policies and procedures designed to ensure compliance with the U.S. Foreign Corrupt Practices Act of 1977 and all other anti-bribery, anti-corruption, anti-money-laundering and similar applicable laws of each jurisdiction in which we operate or have operated and in which any agent of ours is conducting or has conducted business involving us;
- fail to maintain policies and procedures designed to ensure compliance with all applicable sanctions and export control laws in jurisdictions in which we do business or are otherwise subject to jurisdiction, including the Export Administration Regulations and U.S. sanctions laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control in each jurisdiction in which we operate or are otherwise subject to jurisdiction;
- take any action or fail to take any action that is reasonably expected to result in any of the conditions to the Merger not being satisfied;
- create a subsidiary; or
- agree, authorize or commit to do any of the foregoing.

Acquisition Proposals; Change of Recommendation

No Solicitation

As used in this proxy statement:

- "Acquisition Proposal" means any proposal, offer, inquiry or indication of interest (other than one made or submitted to the Company by Scotts Miracle-Gro, Parent or Merger Sub) relating to (i) a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, spin-off, share exchange, business combination or similar transaction involving the Company, (ii) a sale, lease or other disposition, directly or indirectly, of any business or assets of the Company outside of the conduct that is (a) consistent in nature, scope and magnitude with the past business practices of the Company prior to the date of the Merger Agreement and taken in the ordinary course of normal, day-to-day operations of the Company and (b) similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of normal, day-to-day operations of other companies of similar size to the Company, or (iii) any issuance, sale or other disposition, directly or indirectly, to any person (or the stockholders of any person) or group (as such term is defined in Rule 13d-3 under the Exchange Act) of securities representing five percent (5%) or more of the voting power of the Company (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such securities).
- "Alternative Acquisition Agreement" means any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement (other than a Permitted Confidentiality Agreement (as defined below)) relating to any Acquisition Proposal.
- "Superior Proposal" means an unsolicited, *bona fide* written Acquisition Proposal (provided that for purposes of this definition of "Superior Proposal", all references to 5% contained in the definition of "Acquisition Proposal" shall be deemed to be references to 75%) which the Special Committee determines in good faith, after consultation with outside legal counsel and its financial advisor, that (i) if consummated, would result in a transaction more favorable to the holders of outstanding shares of common stock, other than Excluded Shares, from a financial point of view than the Merger (after taking into account any revisions to the terms of the Merger Agreement proposed by Parent pursuant to the terms thereof) and (ii) for purposes of any determination to be made or action to be taken by the Special Committee pursuant to the Merger Agreement, is reasonably likely to be consummated on the terms proposed, taking into account all legal, financial, regulatory and approval requirements (including receipt of the requisite approval of the holders of shares of common stock), the sources, availability and terms of any required financing and the existence of a financing contingency, and the identity of the person or persons making the proposal. For the avoidance of doubt, if the transactions contemplated by the Merger Agreement (after taking into account any revisions to the terms of the Merger Agreement proposed by Parent pursuant to the terms thereof) contain substantially identical financial and other terms and conditions to those contained in an Acquisition Proposal, such Acquisition Proposal cannot be deemed by the Special Committee to be a "Superior Proposal" as compared to the proposal then provided by Parent.

The Merger Agreement provides from the execution of the Merger Agreement and that until the earlier of the termination of the Merger Agreement and the Effective Time, we will not, and we will cause each of our subsidiaries and our respective directors, officers and employees, not to, and will direct our directors, employees (including officers) and representatives not to, directly or indirectly:

- initiate, solicit, propose or knowingly encourage or otherwise knowingly facilitate any inquiry or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;
- engage in, continue or otherwise participate in any discussions or negotiations relating to any Acquisition Proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an

Acquisition Proposal (other than to inform any person who has made any inquiry with respect to, or who has made, an Acquisition Proposal of the provisions of this covenant);

- provide any information or data concerning the Company or access to the Company's properties, books and records to any person in connection with any Acquisition Proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an Acquisition Proposal;
- enter into any Alternative Acquisition Agreement;
- take any action to exempt any third party from the restrictions on "business combinations" or acquisitions or voting of shares of common stock under any applicable takeover statutes or otherwise cause such restrictions to not apply;
- grant any waiver, amendment or release under any standstill or confidentiality agreement concerning an Acquisition Proposal; or
- agree, authorize or commit to do any of the foregoing.

Window Shop Exceptions

Notwithstanding the foregoing, prior to, but not after, the approval of the Merger Agreement by the holders of a majority of the outstanding shares of common stock entitled to vote on such matter at the Special Meeting (the "Requisite Company Vote") is obtained, in response to an unsolicited, *bona fide* written Acquisition Proposal, the Company (only through the Special Committee and its representatives) may, subject to the conditions described below:

- provide non-public Company and other information and data concerning the Company and access to the Company's properties, books and records to the person who made such Acquisition Proposal; provided that such information or data has previously been made available to Parent or its representatives in connection with the transactions contemplated by the Merger Agreement, or if not previously made available to Parent or its representatives, such information or data is made available to Parent not later than 24 hours after the time such information and data is made available to such person, and that, prior to furnishing any such information, the Company receives from the person making such Acquisition Proposal an executed confidentiality agreement with terms not less restrictive to the other party than the terms in the Confidentiality Agreement, dated as of June 3, 2020, by and between The Scotts Company LLC and the Company are on Parent (it being understood that such confidentiality agreement need not contain any "standstill" or other similar provisions, and provided that such confidentiality agreement will not include any restrictions that could restrain the Company from satisfying its information and Parent notification obligations contemplated by the Merger Agreement) (any confidentiality agreement satisfying such criteria, a "Permitted Confidentiality Agreement"); and
- engage or otherwise participate in any discussions or negotiations with any such person who made such Acquisition Proposal regarding such Acquisition Proposal (including to request clarification of the terms and conditions of such Acquisition Proposal).

The prior actions may be taken if, and only if, prior to taking any action described in the first two bullets above, the Special Committee determines in good faith, after consultation with outside legal counsel that (i) based on the information then available and after consultation with its financial advisor, that such Acquisition Proposal either constitutes a Superior Proposal or is reasonably expected to result in a Superior Proposal and (ii) based on the information then available (including the terms and conditions of such Acquisition Proposal and the Merger Agreement), the failure to take such action would violate the fiduciary duties of the Company's directors constituting the Special Committee under applicable law.

Notice of Acquisition Proposals

The Company is also required to promptly (but, in any event, within 48 hours) give notice to Parent of:

- any inquiries, proposals or offers with respect to an Acquisition Proposal or that would reasonably be expected to lead to an Acquisition Proposal received by the Company or the Special Committee (or its representatives);
- any request for non-public information or data concerning the Company or access to the Company's properties, books or records in connection with any Acquisition Proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an Acquisition Proposal received by the Company, the Special Committee (or its representatives); or
- any new substantive developments or discussions or negotiations relating to an Acquisition Proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an Acquisition Proposal, setting forth in such notice, to the extent not theretofore publicly disclosed or previously disclosed to Parent, the name of the applicable persons who made the Acquisition Proposal and the material terms and conditions of any such Acquisition Proposal or inquiry, proposal or offer and the request for the information or data (including, if applicable, correct and complete copies of any written Acquisition Proposals and other proposed transaction documentation (or where no written proposed transaction documentation have been provided to the Company, a reasonably detailed written summary of the proposed transaction terms then-known by the Company or Special Committee), and thereafter keep Parent reasonably informed, on a prompt basis (but, in any event, within 24 hours of any substantive development or change in status) of the status and terms and conditions of any such Acquisition Proposals, inquiries, proposals or offers, or information requests (including any amendments or supplements thereto) and the status of any such substantive developments or discussions, or negotiations.

The Company is required to provide to Parent as soon as practicable after receipt or delivery thereof copies of all correspondence and other written material sent by or provided to the Company or the Special Committee (or their representatives) from any person that describes any of the terms or conditions of any Acquisition Proposal.

Change of Recommendation Permitted in Certain Circumstances

The Merger Agreement provides that, except as provided below, none of the Board, the Special Committee, or any other committee of the Board will:

- withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify) the Company Recommendation in a manner adverse to Parent;
- fail to include the Company Recommendation in the Proxy Statement (as defined in " —Proxy Statement");
- at any time following the receipt of an Acquisition Proposal (other than a tender or exchange offer as contemplated by the following bullet that has been publicly disclosed), fail to reaffirm its approval or recommendation of the Merger Agreement and the Merger as promptly as practicable (but in any event within five business days) after receipt of any written request to do so from Parent;
- fail to recommend rejection (pursuant to Rule 14e-2(a)(1) under the Exchange Act and under cover of Schedule 14D-9 filed by the Company with the SEC)) of any tender offer or exchange offer for outstanding shares of common stock that has been commenced by any person (other than by Parent or an affiliate of Parent) pursuant to Rule 14d-2 under the Exchange Act on or prior to the 10th business day after such commencement;
- approve, authorize or recommend (or determine to approve, authorize or recommend) or publicly declare advisable any Acquisition Proposal or other proposal that would be reasonably expected to lead to an Acquisition Proposal or any Alternative Acquisition Agreement; or

- agree, authorize or commit to do any of the foregoing (any such action, a "Change of Recommendation").

Notwithstanding the foregoing, at any time prior to the time the Requisite Company Vote is obtained, the Special Committee may make a Change of Recommendation and the Company may terminate the Merger Agreement if:

- an unsolicited, *bona fide* written Acquisition Proposal that was not obtained in breach of the Merger Agreement is received by the Company and not withdrawn; and
- the Special Committee determines in good faith, after consultation with outside legal counsel and its financial advisor, that such Acquisition Proposal constitutes a Superior Proposal; provided, however, that (i) a Change of Recommendation and termination by the Company of the Merger Agreement may not be made unless and until prior to taking such action, the Company gives Parent four business days' advance written notice that that the Special Committee intends to convene a meeting of the Special Committee to consider or take any other action with respect to making such Change of Recommendation together with a reasonably detailed description of the Superior Proposal (the "Superior Proposal Notice Period"); (ii) during the pendency of the Superior Proposal Notice Period, if requested by Parent, the Special Committee and its representatives must negotiate in good faith with Parent and its representatives to revise the Merger Agreement (in the form of a proposed binding amendment) to enable the Special Committee to determine in good faith, after consultation with its outside legal counsel and its financial advisor, that after giving effect to such modifications, such Acquisition Proposal would no longer constitute a Superior Proposal; and (iii) at the expiration of the Superior Proposal Notice Period, and at such meeting of the Special Committee, the Special Committee, after having taken into account the modifications to the Merger Agreement proposed by Parent, has determined in good faith, after consultation with outside legal counsel and its financial advisor, that a failure to make a Change of Recommendation and terminate the Merger Agreement and abandon the Merger would violate the fiduciary duties of the Company's directors constituting the Special Committee under applicable law (it being understood that any revisions to the financial terms of, or any material revisions to any of the other substantive terms of, any Acquisition Proposal will be deemed to be a new Acquisition Proposal for purposes of the foregoing, including for purposes of commencing a new Superior Proposal Notice Period, except that subsequent to the initial Superior Proposal Notice Period, the subsequent Superior Proposal Notice Period will be reduced to two business days).

Certain Permitted Disclosure

Notwithstanding our non-solicitation obligations, we are not prohibited from:

- making any disclosure to the holders of shares of common stock if the Special Committee determines in good faith, after consultation with its outside legal counsel, that the failure to make any such disclosure would violate the fiduciary duties of the Company's directors constituting the Special Committee under applicable law;
- disclosing a position contemplated by Rule 14d-9, Rule 14e-2(a)(2) or (3) or Item 1012(a) of Regulation M-A under the Exchange Act; or
- making any "stop, look and listen" communication of the type contemplated by Rule 14d-9(f) under the Exchange Act.

For the avoidance of any doubt, notwithstanding any provision of the Merger Agreement, a factually accurate public or other statement or disclosure made by us (including in response to any unsolicited inquiry, proposal or offer made by any person to the Company not in violation of the Merger Agreement) that describes the existence and operation of the terms and provisions of the non-solicitation obligations or related portions of the Merger Agreement will not, in itself, constitute a Change of Recommendation for any purpose of the Merger

Agreement; provided that if any disclosures or communications of the type described in the two bullets above fail to expressly reaffirm therein the Company Recommendation, such disclosure or communication will constitute a Change of Recommendation for all purposes of the Merger Agreement.

Special Meeting

The Merger Agreement provides that, unless a Change of Recommendation is made by the Special Committee, or the Merger Agreement has been terminated in accordance with its terms, we will, as promptly as practicable after the later of (i) the 10-day waiting period under Rule 14a-6(a) under the Exchange Act and (ii) the date on which the SEC's staff orally confirms that it has no further comments on the Proxy Statement (such later date, the "Clearance Date"), duly call, give notice of and convene the Special Meeting for the purpose of submitting the Merger Agreement to the holders of common stock for their consideration and to seek to obtain the Requisite Company Vote. The date of the Special Meeting will not be less than 30 days after notice of the Special Meeting is first published, sent or given by us to the holders of common stock.

In connection with the foregoing, we will as promptly as reasonably practicable after the Clearance Date and the setting of the Record Date, cause the Proxy Statement (and all related materials) to be mailed in definitive form to holders of common stock and use our reasonable best efforts to solicit proxies from the holders of shares of common stock to seek to obtain the Company Requisite Vote.

The record date for holders of common stock entitled to notice of and to vote at the Special Meeting (the "Record Date") will be mutually agreed to by Parent and us. Once the Record Date has been established, we cannot change the Record Date or establish a different such date without the prior written consent of Parent, which consent must not be unreasonably withheld, conditioned or delayed. Notwithstanding anything in the Merger Agreement to the contrary, nothing will prohibit us from postponing, adjourning or otherwise delaying the Special Meeting if (and only if) the Special Committee has determined in good faith, after consultation with its outside counsel, that we are required to postpone, adjourn or delay the Special Meeting pursuant to any request by the SEC's staff or in order to update, correct or otherwise make any necessary additional disclosures to the holders of common stock such that the Proxy Statement does not contain any untrue statement of material fact, or omit to state any material fact necessary, in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided, however, that the Special Meeting will not be postponed, adjourned or delayed for more than 10 business days in the aggregate without the prior written consent of Parent, which consent shall not be unreasonably withheld, conditioned or delayed.

We have agreed to provide Parent reasonably detailed periodic updates concerning proxy solicitation results on a timely basis.

Parent Vote

So long as there has been no Change of Recommendation, Parent is required to vote or cause to be voted any shares of common stock beneficially owned by it or any of its affiliates or with respect to which it or any of its affiliates has the power (by agreement, proxy or otherwise) to cause to be voted, in favor of the approval of the Merger Agreement Proposal at the Special Meeting and at all adjournments, recesses or postponements thereof.

Proxy Statement

The Merger Agreement provides that, as promptly as reasonably practicable after the date of the Merger Agreement, but in any event within fifteen business days after the date of the Merger Agreement, (i) the Company will prepare and file with the SEC a proxy statement in preliminary form relating to the Special Meeting (such proxy statement, including any amendments or supplements thereto, the "Proxy Statement") and (ii) the Company and Parent will jointly prepare and file with the SEC and the Rule 13e-3 Transaction Statement on Schedule 13E-3 jointly prepared by the Company and Parent and filed with the SEC relating to the Merger (such Rule 13e-3 Transaction Statement, including any amendments or supplements thereto, the “Schedule 13E-3”). Except as provided in the Merger Agreement, the Proxy Statement will include the Company Recommendation.

Other Regulatory Matters

The Merger Agreement provides that, except to the extent a different standard of efforts has been expressly agreed to and set forth in any provision of the Merger Agreement, the Company and Parent will cooperate with each other and use (and will cause their respective affiliates to use) their respective reasonable best efforts to take or cause to be taken all actions necessary or advisable on its part under the Merger Agreement and applicable laws to consummate the transactions contemplated by the Merger Agreement as promptly as practicable, including preparing and filing, as promptly as practicable, documentation to effect all necessary notices, reports, consents, registrations, approvals, permits, authorizations, expirations of waiting periods and other filings and to obtain, as promptly as practicable, all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any governmental entity in order to consummate the transactions contemplated by the Merger Agreement.

Notwithstanding anything to the contrary set forth in the Merger Agreement:

- in no event will (i) any party to the Merger Agreement or any of their respective affiliates be required to agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action imposed, required or requested by a governmental entity in connection with its grant of any consent, registration, approval, permit or authorization necessary or advisable in order to consummate the transactions contemplated by the Merger Agreement to be obtained from any governmental entity that is not conditioned upon the consummation of the transactions contemplated by the Merger Agreement or (ii) the Company or any of its affiliates agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action in connection with the obtaining of any such consent, registration, approval, permit or authorization necessary that is not conditioned upon the consummation of the transactions contemplated by the Merger Agreement or that would result in any restrictions, limitations or requirements on the Company or its business or assets following the consummation of the transactions contemplated by the Merger Agreement without the prior written consent of Parent and subject to the following bullet; and
- the Parties agreed that neither the foregoing nor the “reasonable best efforts” standard will require, or be construed to require, Parent or any of its affiliates, (i) to resist, vacate, limit, reverse, suspend or prevent, through litigation, any actual, anticipated or threatened order seeking to delay, restrain, prevent, enjoin or otherwise prohibit or make unlawful the consummation of the transactions contemplated by the Merger Agreement or (ii) in order to obtain any consent, registration, approval, permit or authorization necessary or advisable in order to consummate the transactions contemplated by the Merger Agreement to be obtained from any governmental entity, to agree to any term, condition, liability, obligation, requirement, limitation, qualification, remedy, commitment, sanction or other action that would be reasonably likely to have a material adverse effect on the anticipated benefits to Parent and its affiliates of the transactions contemplated by the Merger Agreement; provided that Parent may compel the Company to agree to any such term or condition or take any such actions (or agree to take such actions) so long as the effectiveness of such term or condition or action is conditioned upon the consummation of the Merger.

Parent has the right to direct all matters with any governmental entity consistent with its obligations under the Merger Agreement; provided that Parent and the Company will have the right to review in advance and, to the extent practicable, each will consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, any of their respective affiliates and any of their respective representatives, that appears in any filing made with, or written materials submitted to any governmental entity in connection with the transactions contemplated by the Merger Agreement. Neither the Company nor Parent will permit any of its or its affiliates or representatives to participate in any discussions or meetings with any governmental entity in respect of any documentation to effect all necessary notices, reports, consents, registrations, approvals, permits, authorizations, expirations of waiting periods and other filings or any investigation or other inquiry relating thereto or to the transactions contemplated by the Merger Agreement unless it consults with the other in advance and, to the extent permitted by such governmental entity, gives the other the opportunity to attend and participate. Each of the Company and Parent, as applicable, will (and will cause their respective affiliates to) promptly provide or cause to be provided to each governmental entity furnish all non-privileged or protected information and documents reasonably requested by any governmental entity or that are necessary or advisable to permit consummation of the transactions contemplated by the Merger Agreement.

Status and Notifications

The Company and Parent each will keep the other reasonably apprised of the status of matters relating to the consummation of the transactions contemplated by the Merger Agreement (including in connection with the Proxy Statement and Schedule 13E-3) and will, as promptly as practicable:

- notify the other of any notices or communication from or with any governmental entity concerning such transactions;
- furnish the other with copies of written notices or other communications received from any third party, including any governmental entity, with respect to such transactions; and
- furnish the other with all information as may be necessary or advisable to effect such notices and communications.

The Company and Parent will give prompt notice to each other of any events, changes, developments, circumstances or facts that individually or in the aggregate, has had or would reasonably be expected to:

- in the case of the Company, have a Material Adverse Effect or prevent, materially delay or materially impair the consummation by the Company of the transactions contemplated by the Merger Agreement;
- in the case of Parent, have a Parent Material Adverse Effect; or
- in the case of either the Company or Parent, result in any non-compliance or violation of any of the respective representations, warranties or covenants of the Company, Parent or Merger Sub, as applicable, set forth in the Merger Agreement, to the extent that any such non-compliance or violation would reasonably be expected to result in a failure of certain of the conditions to the Closing, as discussed in further detail in " —Conditions to Completion of the Merger."

Employee Benefits

The Merger Agreement provides that, prior to making any written or oral communications to any current or former employee, director or independent contractor of the Company ("Company Employees") pertaining to compensation or benefit matters that are affected by the transactions contemplated by the Merger Agreement, the Company will provide Parent with a copy of the intended communication, Parent will have a reasonable period of time to review and comment on the communication, and the Company will consider any such comments in good faith. Parent and Merger Sub agreed that all rights in effect as of the date of the Merger Agreement (or the benefits provided by the plans) under the Company's Long Term Incentive Plan and Bonus Plan (including the Retention Memorandum implementing those plans) and the Company's Severance Policy will be assumed by the surviving corporation in the Merger, without further action, and will not be modified or terminated by the surviving corporation within 12 months after the Closing unless otherwise required by applicable law.

Indemnification; Directors' and Officers' Insurance

Pursuant to the Merger Agreement, Parent and Merger Sub agreed that all rights to exculpation, indemnification or advancement of expenses arising from, relating to or otherwise in respect of, acts or omissions occurring prior to the Effective Time existing in favor of the current or former directors or officers of the Company as provided in the Company's articles of incorporation or bylaws, that certain Indemnification Agreement, dated April 12, 2019, between the Company and David Kent, and that certain Indemnification Agreement, dated April 12, 2019, between the Company and Greg Clarke, will be assumed by the surviving corporation in the Merger, without further action, at the Effective Time, and will survive the Merger and continue in full force and effect in accordance with their terms. Furthermore, for a period of no less than six years from the Effective Time, Parent is required to maintain in effect the exculpation, indemnification and advancement of expenses provisions of the Company's articles of incorporation or bylaws in effect as of the date of the Merger Agreement, and cannot amend, repeal or otherwise modify any such provisions in any manner that would adversely affect the rights thereunder of any individuals who immediately before the Effective Time were current or former directors or officers of the Company.

At or prior to the Effective Time, the Company will purchase a prepaid (or "tail") directors' and officers' insurance and indemnification policy that provides coverage for events occurring prior to the Effective Time for an aggregate period of not less than six years from the Effective Time, that does not result in gaps or lapses of coverage with respect to matters occurring prior to the Effective Time and that is no less favorable with respect to limits, deductibles and other terms compared to the Company's existing directors' and officers' insurance and indemnification policy or policies or, if such insurance coverage is unavailable, the best available similar coverage (the "D&O Insurance").

Access and Reports

Subject to certain exceptions and limitations, throughout the period from the date of the Merger Agreement until the Effective Time, the Company must, subject to certain exceptions, afford to the officers and other representatives of Parent reasonable access to the Company Employees and the Company's agents, properties, offices and other facilities, contracts, and books and records, and, during such period, the Company is required to furnish promptly to Parent all information and documents (to the extent not publicly available) concerning or regarding its business, properties, assets (including intellectual property rights) and personnel as may reasonably be requested by Parent.

The Company and Parent each will keep the other reasonably apprised of the status of matters relating to the consummation of the transactions contemplated by the Merger Agreement and will, as promptly as practicable, (i) notify the other of any notices or communication from or with any governmental entity concerning such transactions, (ii) furnish the other with copies of written notices or other communications received by Parent or the Company, as the case may be, or any of its affiliates from any third party, including any governmental entity, with respect to such transactions and (iii) furnish the other with all information as may be necessary or advisable to effect such notices and communications.

Other Covenants

The Merger Agreement contains additional agreements between the Company, Parent and Merger Sub relating to, among other things:

- causing the deregistration of the common stock under the Exchange Act as promptly as practicable after (and only after) the Effective Time;
- upon any takeover statutes becoming applicable to the transactions contemplated by the Merger Agreement, each of Parent and the Company, their respective boards of directors and the Special Committee granting such approvals and taking such actions as are necessary to consummate the

transactions contemplated by the Merger Agreement as promptly as practicable and using their best efforts to eliminate or minimize the effects of such takeover statutes;

- the Company and the Board taking actions to cause to the transactions contemplated by the Merger Agreement and any other dispositions of equity securities of the Company (including derivative securities) in connection with the transactions contemplated by the Merger Agreement by any individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act; and
- notification of, consultation with and participation by Parent in connection with the defense or settlement of any stockholder litigation against the Company, its directors or officers relating to the transactions contemplated by the Merger Agreement.

Conditions to Completion of the Merger

The respective obligations of each party to consummate the Merger are subject to the satisfaction or waiver at or prior to the Effective Time of each of the following conditions:

- the Requisite Company Vote having been obtained at the Special Meeting;
- no order or law (whether temporary, preliminary or permanent) being in effect which enjoins, prevents or otherwise prohibits, restrains or makes unlawful the consummation of the Merger and the other transactions contemplated by the Merger Agreement; and
- all authorizations, consents, orders, declarations or approvals of, notifications to or filings or registrations with, or terminations or expirations of waiting periods imposed by governmental entities in connection with the Merger having been obtained, made or occurred, as the case may be, in each case, without the imposition by the applicable governmental entity of any material condition thereto that has not been waived by Parent in its sole discretion.

The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver by Parent at or prior to the Effective Time of the following conditions:

- each of the representations and warranties of the Company:
  - with respect to organization, good standing and qualification; capital structure; and corporate authority, approval and fairness must have been true and correct as of the date of the Merger Agreement and must be true and correct at and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of a particular date or period of time, in which case such representation and warranty must be so true and correct as of such particular date or period of time);
  - with respect to governmental filings, no violations, certain contracts, etc.; Company reports; disclosure controls and procedures and internal control over financial reporting; financial statements, no undisclosed liabilities, “off-balance sheet arrangements”; books and records; absence of certain changes; takeover statutes; and brokers and finders must have been true and correct in all material respects as of the date of the Merger Agreement and must be true and correct in all material respects at and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of a particular date or period of time, in which case such representation and warranty must be so true and correct in all material respects as of such particular date or period of time) (without giving effect to any qualification by “materiality” or “Material Adverse Effect” and words of similar import set forth therein); and
  - other than those set forth in the foregoing sub-bullets, must have been true and correct as of the date of the Merger Agreement and must be true and correct at and as of the Closing Date as

though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of a particular date or period of time, in which case such representation and warranty must be so true and correct as of such particular date or period of time), except, in the case of this sub-bullet, for any failure of any such representation and warranty to be so true and correct (without giving effect to any qualification by “materiality” or “Material Adverse Effect” and words of similar import set forth therein) that would not have a Material Adverse Effect;

- the performance or compliance by the Company in all material respects with its agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Effective Time;
- since the date of the Merger Agreement, the nonoccurrence of any event, change development, circumstance, fact or effect that has had or would reasonably be expected to have a Material Adverse Effect;
- Parent has received at the Closing a certificate signed on the Company’s behalf by its Chief Executive Officer certifying that the conditions set forth in the foregoing three bullets have been satisfied; and
- we have delivered to (i) Parent a statement executed on behalf of the Company, dated as of the Closing Date, satisfying the requirements of Treasury Department regulations Section 1.1445-2(c)(3) (and complying with Treasury Department regulations Section 1.897-2(h)) in a form reasonably acceptable to Parent certifying that the Company is a U.S. person, and that the shares of common stock do not represent United States real property interests within the meaning of Section 897 of the Code and the Treasury Department regulations promulgated thereunder; and (ii) the Internal Revenue Service the notification required under Treasury Department regulation Section 1.897-2(h)(2) on the date of the Merger Agreement, which notification must be (a) be in a form reasonably satisfactory to Parent, (n) satisfy the requirements of Treasury Department regulation Section 1.897-2(h), and (c) indicate that the certificate described in clause (i) above is provided to Parent pursuant to Treasury Regulation Section 1.1445-2(c)(3) in connection with the Merger on the date of the Merger Agreement.

The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following conditions:

- each of the representations and warranties of Parent and Merger Sub with respect to:
  - organization, good standing and qualification; corporate authority; and available funds must have been true and correct as of the date of the Merger Agreement and must be true and correct at and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of a particular date or period of time, in which case such representation and warranty must be so true and correct as of such particular date or period of time); and
  - each of the other representations and warranties of Parent and Merger Sub (other than those sections set forth in the foregoing sub-bullet) must have been true and correct as of the date of the Merger Agreement and must be true and correct at and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of a particular date or period of time, in which case such representation and warranty must be so true and correct as of such particular date or period of time), except, in the case of this clause sub-bullet, for any failure of any such representation and warranty to be so true and correct (without giving effect to any qualification by “materiality” or “Parent Material Adverse Effect” and words of similar import set forth therein) that would not have a Parent Material Adverse Effect;
- the performance or compliance by Parent and Merger Sub in all material respects with each of its agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the Effective Time; and

- Parent has delivered to us a certificate signed on behalf of Parent and Merger Sub by an executive officer of Parent certifying that the conditions set forth in the foregoing two bullet points have been satisfied.

Termination of the Merger Agreement

The Merger Agreement may be terminated and the transactions contemplated by the Merger Agreement may be abandoned at any time prior to the Effective Time, whether before or after the Requisite Company Vote has been obtained, by mutual written consent of the Company and Parent.

The Merger Agreement may be terminated and the transactions contemplated by the Merger Agreement may be abandoned at any time prior to the Effective Time, by action of either the Company or Parent, if:

- the Merger is not consummated by 5:00 p.m. local time on March 31, 2021 (the "Outside Date"); provided, that the right to terminate the Merger Agreement pursuant to this provision will not be available to any party if it is then in material breach of any of its representations, warranties, obligations or agreements under the Merger Agreement; or
- any order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger has become final and non-appealable; provided that the right to terminate pursuant to this provision will not be available to any party that has breached in any material respect its obligations set forth in the Merger Agreement in any manner that has proximately contributed to the occurrence of the failure of a condition to the consummation of the Merger.

The Merger Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned by the Company:

- if either Parent or Merger Sub breaches or fails to perform in any material respect any of its representations, warranties, covenants or agreements in the Merger Agreement, or if any representation or warranty of Parent or Merger Sub in the Merger Agreement has become untrue following the date of the Merger Agreement, in either case, such that the conditions to our obligation to effect the Merger would not be satisfied (and such breach or failure to be true and correct is not curable prior to the Outside Date, or if curable prior to the Outside Date, has not been cured within the earlier of (i) 30 days after the giving of notice thereof by the Company to Parent and (ii) three business days prior to the Outside Date); provided, however, that the right to terminate the Merger Agreement pursuant to this provision will not be available to the Company if it is then in material breach of any of its representations, warranties, obligations or agreements under the Merger Agreement; or
- following a Change of Recommendation if the Requisite Company Vote has not yet been obtained, but only if (i) the Company is not then in breach of its non-solicitation obligations under the Merger Agreement and (ii) such Change of Recommendation is made in accordance with the applicable terms and conditions of the Merger Agreement.

The Merger Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned by the board of directors of Parent:

- if the Company breaches any of its representations, warranties, covenants or agreements in the Merger Agreement, or if any representation or warranty of the Company in the Merger Agreement has become untrue following the date of the Merger Agreement, in either case such that the conditions to Parent's obligation to effect the Merger would not be satisfied (and such breach or failure to be true and correct is not curable prior to the Outside Date, or if curable prior to the Outside Date, has not been cured within the earlier of (i) 30 days after the giving of notice thereof by Parent to the Company and (ii) three business days prior to the Outside Date); provided, however, that the right to terminate the Merger Agreement pursuant to this provision will not be available to Parent if it is then in material breach of any of its representations, warranties, obligations or agreements under the Merger Agreement; or

- following a Change of Recommendation if the Requisite Company Vote has not yet been obtained at the Special Meeting.

Treatment of Expenses

Whether or not the Merger is consummated, all costs, fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby, including all costs, fees and expenses of its representatives, will be paid by the party incurring such cost, fee or expense, except as otherwise expressly provided in the Merger Agreement.

Modification or Amendment; Waiver

Subject to applicable law, at any time prior to the Effective Time, the Merger Agreement may be modified or amended only by an instrument in writing that is executed by each of the parties.

The conditions to each of the respective parties' obligations to consummate the transactions contemplated by the Merger Agreement may be waived by such party in whole or in part to the extent permitted by applicable law; provided, however, that any such waiver will only be effective if made in writing and executed by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder or under applicable law will operate as a waiver of such rights and, except as otherwise expressly provided in the Merger Agreement, no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies in the Merger Agreement will be cumulative and not exclusive of any rights or remedies provided by law.

Governing Law

The Merger Agreement was made in and in all respects will be interpreted, construed and governed by and in accordance with the internal procedural and substantive laws of the state of Nevada without regard to the conflict of laws rules or principles thereof (or any other jurisdiction) to the extent that such laws, rules and principles would direct a matter to another jurisdiction.

Specific Performance

Each party to the Merger Agreement may specifically enforce the terms and provisions of the Merger Agreement and obtain an injunction restraining any breach or violation or threatened breach or violation of the provisions of the Merger Agreement without posting a bond or other form of security. In the event that any proceeding is brought in equity to enforce the provisions of the Merger Agreement, no party may allege, and each party waives the defense, that there is an adequate remedy at law.

PROPOSAL 1: APPROVAL OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY (INCLUDING THE MERGER)

We are asking you to approve the Merger Agreement and the transactions contemplated thereby (including the Merger).

For a summary of and detailed information regarding this proposal, see the information about the Merger Agreement and the Merger throughout this proxy statement, including the information set forth in "Special Factors" and "The Merger Agreement." A copy of the Merger Agreement is attached to this proxy statement as Annex A. You are urged to read the Merger Agreement carefully in its entirety.

For us to complete the Merger, under NRS 92A.120, holders of a majority of the outstanding shares of common stock at the close of business on the Record Date must vote "**FOR**" the Merger Agreement Proposal. The transaction has not been structured to require the approval of the holders of at least a majority of the shares of common stock beneficially owned by security holders unaffiliated with the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro and our directors who are affiliated with Scotts Miracle-Gro, to the extent such directors beneficially own any shares of common stock). Furthermore, such approval is not required under Nevada law for us to complete the Merger. As of the Record Date, there were 34,328,036 shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned 27,639,294 shares of common stock, representing approximately 80.5% of the outstanding shares of common stock. Subject to the terms of the Merger Agreement, Parent has agreed to vote all shares of common stock it beneficially owns in favor of the Merger Agreement Proposal. See "Special Factors—Parent's Obligation to Vote in Favor of the Merger." If you abstain from voting, fail to cast your vote, via the Virtual Special Meeting Website or by proxy, or fail to give voting instructions to your broker, bank, trustee or other nominee, it will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

The Board unanimously recommends that you vote "FOR" the Merger Agreement Proposal.

OTHER IMPORTANT INFORMATION REGARDING THE COMPANY

Directors and Executive Officers of the Company

The Board presently consists of five members. The persons listed below are the directors and executive officers of the Company as of the date of this proxy statement. The Merger Agreement provides, however, that the directors of Merger Sub immediately prior to the Effective Time of the Merger will be the directors of the surviving corporation immediately following the Merger and serve, in each case, until their successor is duly elected or appointed and qualified or until his or her death, resignation or removal, as the case may be. The Merger Agreement provides that the officers of Merger Sub immediately prior to the Effective Time of the Merger will be the officers of the surviving corporation immediately following the Merger. Following the Merger, each officer will serve, in each case, until their successor is duly elected or appointed and qualified or until his or her death, resignation or removal, as the case may be.

Neither any of these persons nor the Company has been convicted in a criminal proceeding during the past five years (excluding traffic violations or similar misdemeanors), and none of these persons have been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

All of the directors and executive officers can be reached c/o AeroGrow International, Inc., 5405 Spine Road, Boulder, Colorado 80301, and each of the directors and executive officers is a citizen of the United States.

Directors

Name	Age	Position
H. MacGregor Clarke	60	Director
Chris J. Hagedorn	36	Director, Chairman of the Board
David B. Kent	62	Director
Cory T. Miller	47	Director
Patricia M. Ziegler	55	Director

H. MacGregor Clarke has been a director since April 2019 and previously served as a director from July 2009 to March 2013. Mr. Clarke has served as President, Insulation Systems of Johns Manville, a Berkshire Hathaway company, since September 1, 2020. Prior to that time, Mr. Clarke served as Senior Vice President and Chief Financial Officer of Johns Manville, from March 2013 until August 2020. Mr. Clarke also previously served as our Chief Financial Officer from May 2008 through March 2013. From 2007 to 2008, Mr. Clarke was President and Chief Executive Officer, and from 2006 to 2007, Chief Financial Officer, of Ankmar, LLC, a garage door manufacturer, distributor and installer. From 2003 to 2006, Mr. Clarke was a senior investment banker with FMI Corporation ("FMI"), a management consulting and investment banking firm serving the building and construction industry. At FMI, Mr. Clarke was responsible for delivering consulting and investment banking services to clients, and for marketing to prospective clients in the financial services industry. The Board believes that Mr. Clarke's extensive financial and executive experience, in particular his prior service as an executive officer of four companies, among other factors, qualifies him to serve as a director.

Chris J. Hagedorn has been a director since 2013 and Chairman of the Board since November 2016. Mr. Hagedorn was appointed the General Manager of The Hawthorne Gardening Company ("Hawthorne"), a wholly-owned subsidiary of Scotts Miracle-Gro, in October 2014 and was previously appointed Director of Indoor Gardening at Scotts Miracle-Gro in May of 2013. From 2011 to 2013, Mr. Hagedorn served as a Marketing Manager for the North Region at Scotts Miracle-Gro. Mr. Hagedorn was initially appointed to the Board by Scotts Miracle-Gro pursuant to a provision of the Securities Purchase Agreement (as defined below) between AeroGrow and Scotts Miracle-Gro which allowed Scotts Miracle-Gro, as holder of the Series B

Preferred Stock (as defined below), to appoint one member to the Board for so long as the convertible stock remained outstanding. For more details regarding the Securities Purchase Agreement, the Series B Preferred Stock and the other agreements we have entered into with the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro), please see "Other Important Information Regarding the Purchaser Parties and Scotts Miracle-Gro—Significant Past Transactions and Contracts." The Board believes that Mr. Hagedorn's business experience and ties to Scotts Miracle-Gro, particularly in light of AeroGrow's strategic alliance with Scotts Miracle-Gro, qualifies him to serve as a director.

David B. Kent has been a director since April 2019. Mr. Kent has served in various senior managerial roles and is currently Co-Founder of Darcie Kent Vineyards. Mr. Kent served as a Brand Manager for Procter & Gamble, the world's foremost consumer package goods company. Mr. Kent served as Chief Executive Officer of the Wine Group LLC from 2001 to 2012. The Board believes that Mr. Kent's extensive experience in mergers, acquisitions, marketing and brand management, among other factors, qualifies him to serve as a director.

Cory T. Miller has been a director since April 2019. Cory Miller joined the Board in 2020 and is currently the interim Chief Financial Officer of Scotts Miracle-Gro. Mr. Miller began his career at Scotts Miracle-Gro in 2000 and has held several roles of increasing responsibility. Previous leadership roles at Scotts include Vice President, Hawthorne Finance and Information Technology; Vice President, Hawthorne Finance; Vice President, Hawthorne, Merger & Acquisition Finance Integration; Chief Internal Auditor; and Vice President, Finance and Business Development. Prior to joining Scotts Miracle-Gro, Mr. Miller was a member of the audit practice of Ernst and Young. The Board believes that Mr. Miller's business experience and ties to Scotts Miracle-Gro, particularly in light of AeroGrow's strategic alliance with Scotts Miracle-Gro, qualifies him to serve as a director.

Patricia M. Ziegler has been a director since April 2019. Ms. Ziegler joined the Board in 2020 and is currently the Chief Digital and Marketing Services Officer at Scotts Miracle-Gro. Patti began her career at Scotts Miracle-Gro in 2011 and has held several roles within the marketing team with brand, advertising, and digital leadership responsibilities. Currently, Patti is responsible for driving growth with direct to consumer. Before joining the company, Patti held several leadership positions within an advertising agency holding company across a broad range of categories including Consumer Packaged Goods, Retail, Financial Services, Spirits, Healthcare, Restaurants, Utilities, and Tourism. The Board believes that Ms. Ziegler's marketing and advertising experience, creativity and entrepreneurial approach, and ties to Scotts Miracle-Gro, particularly in light of AeroGrow's strategic alliance with Scotts Miracle-Gro, qualifies her to serve as a director.

Executive Officers

Name	Age	Position
J. Michael Wolfe	62	President and Chief Executive Officer
Grey H. Gibbs	54	Senior Vice President of Finance and Administration
John K. Thompson	59	Executive Vice President, Sales and Marketing, and Secretary

J. Michael Wolfe became our Chief Operating Officer in January 2010, our President on February 9, 2011, and our Chief Executive Officer on March 31, 2011. He previously served as Vice President of Operations since April 2006. Prior to joining AeroGrow, Mr. Wolfe was an independent consultant. From 1992 to 2002, he was President and Chief Operating Officer of Concepts Direct and was its Chief Executive Officer from 2000 to 2001. At Concepts Direct, Mr. Wolfe oversaw the development, launch and operations of seven independent catalogues. From 1987 to 1992, Mr. Wolfe served as Vice President of Wiland Services, Inc., a database management company, where he oversaw the redesign of the company's product line, its sales and investor relations.

Grey H. Gibbs has been employed by AeroGrow since November of 2007. He has served as Senior Vice President – Finance and Accounting since May 2015 and previously served as: (i) Vice President of Finance and Accounting from June 2014 to May 2015; (ii) Vice President of Accounting from February 2011 to June 2014;

and (iii) Controller from November 2007 to June 2011. Before joining AeroGrow, Mr. Gibbs was employed by Swift Company, an animal protein processor, as Director of Sarbanes-Oxley Compliance from 2006 to 2007 and Assistant Corporate Controller from 2004 to 2006. From 2003 to 2004, Mr. Gibbs was the Chief Financial Officer of JCIT International, an educational and consulting firm in lean manufacturing. From 1994 to 2002, Mr. Gibbs served in a range of strategic and financial roles for Agilent Technologies and Hewlett Packard, including New Product Introduction Program Manager, Outsourcing Program Manager, Site Finance Manager, Planning and Reporting Analyst and Senior Internal Auditor. Mr. Gibbs was also an Audit Supervising Senior for KPMG LLP from 1991 to 1994.

John K. Thompson became Executive Vice President of Sales and Marketing in April 2014. Mr. Thompson joined AeroGrow in 2002 and has served in a variety of senior management positions at AeroGrow, including his position as Vice President of Marketing from October 2009 to April 2014. Mr. Thompson also served as the Company's International Division General Manager and Vice President of Investor Relations, and was instrumental in the research activities leading to the development and launch of the Company's AeroGarden product line. Prior to joining AeroGrow, Mr. Thompson was Director of Marketing for Productivity Point International, a direct marketing and direct sales company, and Sales and Marketing Manager for CareerTrack, a direct marketing company that sold personal and professional growth products to the consumer and commercial markets.

Selected Historical Consolidated Financial Data

Set forth below is certain selected historical consolidated financial data relating to the Company. The historical selected financial data as of and for the six months ended September 30, 2020 and 2019 and the fiscal years ended March 31, 2020, 2019, 2018, 2017 and 2016 has been derived from our consolidated financial statements, which, for the annual periods, have been audited by Plante & Moran, PLLC, an independent registered public accounting firm.

This information is only a summary and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed with the SEC on June 23, 2020, and the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2020 and September 30, 2020, filed with the SEC on August 11, 2020 and November 16, 2020, respectively, each of which is incorporated by reference into this proxy statement. More comprehensive financial information is included in such reports, including management's discussion and analysis of financial condition and results of operations, and other documents filed by the Company with the SEC, and the following summary is qualified in its entirety by reference to such reports and other documents and all of the financial information and notes contained within such reports. See "Where You Can Find More Information." Results of interim periods are not necessarily indicative of the results expected for a full fiscal year or for future periods.

	Year Ended March 31,					Six Months Ended September 30,	
($ in thousands, except per share data)	**2020**	**2019**	**2018**	**2017**	**2016**	**2020**	**2019**
STATEMENT OF OPERATIONS DATA:							
Net Sales	$39,214	$34,366	$32,298	$23,609	$19,612	$30,721	$ 8,898
Gross profit	$14,029	$11,971	$10,700	$ 8,565	$ 6,994	$13,264	$ 2,921
Operating income (loss)	$ 308	$ 7	$ (449)	$ (346)	$ (1,299)	$ 3,986	$ (2,125)
Net income (loss)	$ 57	$ (291)	$ 92	$ (4,766)	$ (1,228)	$ 3,914	$ (2,184)
Basic and diluted net income (loss) per share	$ 0.00	$ (0.01)	$ 0.00	$ (0.14)	$ (0.18)	$ 0.11	$ (0.06)
PER SHARE DATA:							
Weighted average common shares used for basic earnings per share	34,328	34,328	34,328	33,477	6,666	34,328	34,328

($ in thousands, except per share data)	Year Ended March 31, 2020	2019	2018	2017	2016	Six Months Ended September 30, 2020	2019
BALANCE SHEET DATA:							
Current assets	$18,920	$15,814	$17,614	$14,993	$6,570	$27,060	$18,289
Noncurrent assets	$ 3,127	$ 1,045	$ 553	$ 521	$ 778	$ 4,054	$ 2,649
Current liabilities	$ 7,140	$ 4,144	$ 5,222	$ 3,596	$5,147	$12,662	$ 8,155
Noncurrent liabilities	$ 1,498	$ 263	$ 190	$ —	$ —	$ 1,129	$ 1,569
Cash, cash equivalents and restricted cash	$ 9,061	$ 1,756	$ 7,497	$ 8,819	$1,416	$ 3,830	$ 1,012
Working capital	$11,780	$11,670	$12,392	$11,397	$1,423	$14,398	$10,134
Total assets	$22,047	$16,859	$18,167	$15,514	$7,348	$31,114	$20,938
Long-term debt and capital leases, net of current portion	$ 900	$ 72	$ 12	$ 19	$ —	$ 900	$ 946
Stockholders' equity	$12,509	$12,452	$12,743	$11,899	$2,201	$16,423	$10,268

We are not providing any pro forma data giving effect to the Merger because we do not believe such information is material to our stockholders in evaluating the Merger Agreement Proposal since the Merger Consideration is all cash and our common stock would cease to be registered with the SEC and quoted on the OTCQB if the Merger is completed.

No separate financial information has been provided for Parent or Merger Sub since Parent is a holding company that does not have substantive operations and Merger Sub is a newly-formed entity formed in connection with the Merger and has no independent operations and such financial statements are not material to our stockholders in evaluating the Merger Agreement Proposal since the Merger Consideration is all cash, there is no financing condition and our common stock will no longer be quoted on the OTCQB following consummation of the Merger.

Book Value Per Share

As of September 30, 2020, the book value per share of our common stock was $0.4781. Book value per share is computed by dividing total equity of approximately $16,423,000 by 34,328,036, the total shares of common stock outstanding on that date.

Market Price of the Company's Common Stock and Dividends

Market Price

Our common stock is listed for trading on the OTCQB under the symbol "AERO." As of the Record Date, there were 34,328,036 shares of our common stock outstanding, held by 487 stockholders of record.

The table below shows, for the periods indicated, the high and low sales prices for our common stock, as reported by the OTCQB:

	Common Stock Price High	Low
Fiscal Year Ended March 31, 2019		
First quarter	$ 2.93	$ 2.16
Second quarter	$ 3.40	$ 2.25
Third quarter	$ 3.19	$ 2.10
Fourth quarter	$ 2.49	$ 1.55
Fiscal Year Ended March 31, 2020		
First quarter	$ 2.00	$ 1.12
Second quarter	$ 1.66	$ 0.92
Third quarter	$ 1.11	$ 0.74
Fourth quarter	$ 1.72	$ 0.61

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	Common Stock Price	
	High	Low
Fiscal Year Ending March 31, 2021		
First quarter	$ 3.81	$ 1.20
Second quarter	$ 6.09	$ 2.81
Third quarter	$ 3.10	$ 2.75
Fourth quarter (through January 21, 2021)	$ 3.25	$ 2.95

The closing price of our common stock on the OTCQB on November 11, 2020, the last trading day prior to the announcement of the Merger, was $2.82 per share. On January 21, 2021, the most recent practicable date before this proxy statement was mailed to our stockholders, the closing price for our common stock on the OTCQB was $3.02 per share. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares. The Merger Consideration is fixed at $3.00 per share of our common stock, without interest and subject to any required withholding of taxes.

Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Dividends

On November 29, 2016, the Board declared a cash distribution of $1.21 per share of common stock as a special one-time dividend based on Parent's exercise of the Warrant (as defined in "Other Important Information Regarding the Purchaser Parties and Scotts Miracle-Gro—Significant Past Transactions and Contracts"). The dividend was paid on January 3, 2017 to stockholders of record on December 20, 2016. Otherwise, we have never declared or paid dividends or distributions on our common stock. We have agreed in the Merger Agreement not to declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise on our common stock.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock, in each case, as of January 20, 2021, by: (i) each of our named executive officers and directors; (ii) all executive officers and directors as a group; and (iii) each person known by us to beneficially own more than 5% of our common stock. All such information provided by the stockholders who are not executive officers or directors reflects their beneficial ownership as of the dates specified in the relevant footnotes to the table.

Applicable percentage ownership for our common stock in the following table is based on 34,328,036 shares of common stock outstanding as of January 20, 2021.

Beneficial ownership is determined in accordance with the rules of the SEC. Shares of common stock, if any, that the beneficial owner has the right to acquire beneficial ownership of within 60 days January 20, 2021, such as any right to acquire through the exercise of any option, warrant or right, are deemed to be outstanding for calculating the number and percentage of outstanding shares of the person holding such securities, but are not deemed to be outstanding for purposes of calculating the percentage ownership of any other person. Beneficial ownership or voting power representing less than 1.0% is denoted with an asterisk (*).

The information provided in the table is based on our records, information publicly filed with the SEC and other information provided to us as of the date of this proxy statement, except where otherwise noted. Unless otherwise noted, these persons, to our knowledge, have sole voting and investment power over the shares listed, and the principal address for each such stockholder is c/o AeroGrow International, Inc., 5405 Spine Road, Boulder, Colorado 80301.

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Name of Beneficial Owner	Shares of Common Stock Beneficially Owned — Shares	Percentage
Greater than 5% Stockholders		
SMG Growing Media, Inc. (1)	27,639,294	80.5%
Named Executive Officers and Directors		
H. MacGregor Clarke	—	*
Chris J. Hagedorn (2)	—	*
David B. Kent	—	*
Cory T. Miller (2)	—	*
Patricia M. Ziegler (2)	—	*
J. Michael Wolfe	106,790	*
Grey H. Gibbs	6,000	*
John K. Thompson	42,647	*
All Directors and Executive Officers as Group (8 persons)	155,437	*

(1) Based on a Schedule 13D/A filed with the SEC on November 12, 2020. SMG Growing Media, Inc. is a wholly-owned subsidiary of Scotts Miracle-Gro. The address of SMG Growing Media, Inc. and The Scotts Miracle-Gro Company is 14111 Scottslawn Road, Marysville, Ohio 43041.

(2) Ms. Ziegler and Messrs. Hagedorn and Miller are affiliated with SMG Growing Media, Inc. None of Ms. Ziegler and Messrs. Hagedorn and Miller holds voting or investment power over the shares owned by SMG Growing Media, Inc. and, therefore, disclaim beneficial ownership over such shares.

Prior Public Offerings

None of the Company, Parent, Merger Sub nor any of their respective affiliates have made an underwritten public offering of the shares of the Company's common stock for cash during the past three years that was registered under the Securities Act or exempt from registration under Regulation A promulgated thereunder.

Transactions in the Company's Common Stock

Transactions in the Company's Common Stock During the Past 60 Days

Other than the Merger Agreement, as discussed in "The Merger Agreement," the Company, the Purchaser Parties, Scotts Miracle-Gro and their respective affiliates have not executed any transactions with respect to the shares of the Company's common stock within 60 days of the date of this proxy statement.

Transactions in the Company's Common Stock by the Company During the Past Two Years

Neither the Company nor any of its affiliates has purchased any shares of the Company's common stock during the past two years, except as set forth below:

J. Michael Wolfe (President and Chief Executive Officer):

Quantity	Price ($)	Transaction Date	Transaction Description
3,000	1.7520(1)	02/22/2019	Open market purchase
7,000	1.7771	02/25/2019	Open market purchase

(1) The price is a weighted average price.

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John K. Thompson (Executive Vice President, Sales and Marketing, and Secretary):

Quantity	Price ($)	Transaction Date	Transaction Description
1,000	1.75	02/25/2019	Open market purchase

Transactions in the Company's Common Stock by the Purchaser Parties and Scotts Miracle-Gro During the Past Two Years

None of the Purchaser Parties, Scotts Miracle-Gro nor any of their respective affiliates (including our directors who are affiliated with Scotts Miracle-Gro, to the extent such directors beneficially own any shares of common stock) has purchased any shares of the Company's common stock during the past two years.

OTHER IMPORTANT INFORMATION REGARDING THE PURCHASER PARTIES AND SCOTTS MIRACLE-GRO

Identity and Background of Scotts Miracle-Gro, Parent and Merger Sub

Under the SEC rules governing "going private" transactions, each of the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) may be deemed to be an "affiliate" (as defined under Rule 13e-3 of the Exchange Act) of the Company engaged in the "going private" transaction. As of January 20, 2021, the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) may be deemed to beneficially own approximately 80.5% of the outstanding shares of our common stock.

Scotts Miracle-Gro

Scotts Miracle-Gro, an Ohio corporation, is the leading manufacturer and marketer of branded consumer lawn and garden products in North America. Scotts Miracle-Gro products are marketed under some of the most recognized brand names in the industry. Scotts Miracle-Gro's key consumer lawn and garden brands include Scotts® and Turf Builder® lawn and grass seed products; Miracle-Gro® soil, plat food and insecticide, LiquaFeed® plant food, and Osmocote® (Osmocote® is a registered trademark of Everris International B.V., a subsidiary of Israel Chemicals Ltd.) gardening and landscape products; and Ortho®, , Home Defense® and Tomcat® branded insect control, weed control and rodent control products. Scotts Miracle-Gro is the exclusive agent of Monsanto, a subsidiary of Bayer AG, for the marketing and distribution of certain of Monsanto's consumer Roundup® branded products within the United States and certain other specified countries. Scotts Miracle-Gro has a presence in similar branded consumer products in China. Scotts Miracle-Gro's common shares are listed on the NYSE under the symbol "SMG."

Scotts Miracle-Gro's principal executive office is located at 14111 Scottslawn Road, Marysville, Ohio 43041, and its telephone number is (937) 644-0011.

Directors and Executive Officers of Scotts Miracle-Gro

The names and material occupations, positions, offices or employment during the past five years of Scotts Miracle-Gro's directors and executive officers are set forth below. During the past five years, none of Scotts Miracle-Gro nor any of Scotts Miracle-Gro's directors or executive officers have been (i) convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. Unless otherwise indicated, the address for Scotts Miracle-Gro and each of Scotts Miracle-Gro's listed directors and executive officers is c/o The Scotts Miracle-Gro Company, 14111 Scottslawn Road, Marysville, Ohio 43041, and the phone number for Scotts Miracle-Gro and each of Scotts Miracle-Gro's listed directors and executive officers is (937) 644-0011.

Name	Position with Scotts Miracle-Gro and Current Occupation of Employment and Five-Year Employment History
Cory T. Miller	Interim Chief Financial Officer; Mr. Miller was named interim Chief Financial Officer of Scotts Miracle-Gro on January 6, 2021. Prior to this appointment, Mr. Miller had served as Vice President, Hawthorne Finance and Information Technology since December 2018. Previously, Mr. Miller served as Vice President, Hawthorne Finance from February 2017 to December 2018; Vice President, Hawthorne Merger & Acquisition Finance Integration from May 2016 to February 2017; Chief Internal Auditor from April 2015 to May 2016; and Vice President, Finance and Business Development from October 2013 to April 2015.

Name	Position with Scotts Miracle-Gro and Current Occupation of Employment and Five-Year Employment History
David C. Evans	Director; Mr. Evans is a director of Cardinal Health Inc. Mr. Evans served as the Interim Chief Financial Officer of Cardinal Health Inc., a global, integrated healthcare services and products company, from September 2019 until May 2020, after a transition role beginning in July 2019. Mr. Evans previously served as Executive Vice President and Chief Financial Officer of Battelle Memorial Institute ("Battelle"), a private research and development organization with revenue of $5 billion, from March 2013 until January 2018. Mr. Evans' responsibilities at Battelle included strategy, IT and cyber security. Prior to joining Battelle, Mr. Evans served in various managerial roles at Scotts Miracle-Gro, including, most recently, Chief Financial Officer and Executive Vice President, Strategy and Business Development.
Brian D. Finn	Director; Mr. Finn is a director of WaveGuide Corporation, a health care technology company, Owl Rock Capital Corporation, an investment private equity firm specializing in mezzanine loan investments in middle-market companies, and X-Vax Technology, Inc. an early stage biotechnology company. Mr. Finn is also the Chairman of Star Mountain Capital LLC, a private equity firm. Mr. Finn served as the Chief Executive Officer and Chairman of Asset Management Finance Corporation. Mr. Finn was Chairman and Head of Alternative Investments at Credit Suisse Group ("Credit Suisse"). Mr. Finn has held many positions within Credit Suisse and its predecessor firms, including President of Credit Suisse First Boston ("CSFB"), President of Investment Banking, Co-President of Institutional Securities, Chief Executive Officer of Credit Suisse USA and a member of the Office of the Chairman of CSFB. He was also a member of the Executive Board of Credit Suisse. Mr. Finn served as principal and partner of private equity firm Clayton, Dubilier & Rice.
James Hagedorn	Director, Chairman and Chief Executive Officer; Mr. Hagedorn was named Chairman of the Board of Scotts Miracle-Gro's predecessor in January 2003 and Chief Executive Officer of Scotts Miracle-Gro's predecessor in May 2001. He also served as President of Scotts Miracle-Gro (or its predecessor) from October 2015 until February 2016. Mr. Hagedorn serves on Scotts Miracle-Gro's Board of Directors, a position he has held with Scotts Miracle-Gro (or its predecessor) since 1995.
Adam Hanft	Director; Mr. Hanft is the founder and Chief Executive Officer of Hanft Projects LLC ("Hanft Projects"), a strategic consultancy that provides marketing advice and insight to leading consumer and business-to-business companies as well as many leading digital brands. He writes broadly about the consumer culture for numerous publications and is the co-author of "Dictionary of the Future." He is also a frequent commentator on marketing and branding issues. Prior to starting Hanft Projects, Mr. Hanft served as founder and Chief Executive Officer of Hanft Unlimited, Inc., a marketing organization created in 2004 that included an advertising agency, strategic consultancy and custom-publishing operation. Mr. Hanft also serves as a director for 1 800 FLOWERS COM Inc.

Name	Position with Scotts Miracle-Gro and Current Occupation of Employment and Five-Year Employment History
Stephen L. Johnson	Director; Mr. Johnson is the President and Chief Executive Officer of Stephen L. Johnson and Associates Strategic Consulting, LLC, a strategic provider of business, research and financial management and consulting services formed in 2009. Prior to forming Johnson and Associates, Mr. Johnson worked for the U.S. Environmental Protection Agency for 30 years, where he became the first career employee and scientist to serve as Administrator, a position he held from January 2005 through January 2009. Mr. Johnson serves as a director of Frederick Memorial Hospital and as a Trustee of Taylor University.
Thomas N. Kelly Jr.	Director; Mr. Kelly is a former director of GameStop Corp., where he chaired the Compensation Committee. Mr. Kelly also served as Executive Vice President, Transition Integration of Sprint Nextel Corporation (now known as Sprint Communications, Inc. (“Sprint”)), a global communications company, from December 2005 until April 2006. He served as the Chief Strategy Officer of Sprint from August 2005 until December 2005. He served as the Executive Vice President and Chief Operating Officer of Nextel Communications, Inc., which became Sprint, from February 2003 until August 2005, and as Executive Vice President and Chief Marketing Officer of Nextel Communications, Inc. from 1996 until February 2003.
James D. King	Executive Vice President, Chief Communications Officer; Mr. King was named Executive Vice President, Chief Communications Officer of Scotts Miracle-Gro in April 2019. Prior to this appointment, Mr. King had served as Senior Vice President, Chief Communications Officer from June 2008 to April 2019.
Katherine Hagedorn Littlefield	Director; Ms. Littlefield is a general partner of the Hagedorn Partnership, L.P. She also serves on the board for the Hagedorn Family Foundation, Inc., a charitable organization. She is the sister of James Hagedorn, Scotts Miracle-Gro’s Chief Executive Officer and Chairman of the Board. Ms. Littlefield is a member of the Board of Trustees at Delaware Valley University.
Michael C. Lukemire	President and Chief Operating Officer; Mr. Lukemire was named President and Chief Operating Officer of Scotts Miracle-Gro in February 2016. He served as Executive Vice President and Chief Operating Officer from December 2014 until February 2016.
Nancy G. Mistretta	Director; Ms. Mistretta is a director of HSBC North America Holdings, Inc., HSBC USA Inc., and HSBC Bank USA, N.A., where she serves on the Audit Committee, Risk Committee and the Nominating & Governance Committee. In addition, Ms. Mistretta is a member of the Board of Directors of GAM Holding AG in Zurich, Switzerland, where she chairs the Compensation Committee and serves on the Governance and Nominating Committee. Ms. Mistretta is a retired partner of Russell Reynolds Associates (“Russell Reynolds”), an executive search firm, where she served as a partner from February 2005 until June 2009. She was a member of Russell Reynolds’ Not-For-Profit Sector and was responsible for managing executive officer searches for many large philanthropic organizations, with a particular focus on educational

Name	Position with Scotts Miracle-Gro and Current Occupation of Employment and Five-Year Employment History
	searches for presidents, deans and financial officers. Based in New York City, she also was active in the CEO/Board Services Practice of Russell Reynolds. Prior to joining Russell Reynolds, Ms. Mistretta was with JPMorgan Chase & Co. and its heritage institutions for 29 years and served as a Managing Director in Investment Banking from 1991 to 2005.
Ivan C. Smith	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer; Mr. Smith was named Executive Vice President, General Counsel and Corporate Secretary of Scotts Miracle-Gro in July 2013 and Chief Compliance Officer of Scotts Miracle-Gro in October 2013.
Denise S. Stump	Executive Vice President, Global Human Resources and Chief Ethics Officer; Ms. Stump was named Executive Vice President, Global Human Resources of Scotts Miracle-Gro in February 2003 and Chief Ethics Officer of Scotts Miracle-Gro in October 2013.
Peter E. Shumlin	Director; Governor Shumlin is a director of Putney Student Travel, National Geographic Student Expeditions and New York Times Student Journeys which provides educational summer programs for students around the globe. He is a principal in numerous real estate partnerships specializing in commercial and residential properties. Governor Shumlin served three terms as the 81st Governor of the State of Vermont, having held office from 2011 to 2017. Prior to serving as Governor, he served two terms in the Vermont House of Representatives and 14 non-consecutive years in the Vermont Senate, serving on the Rules Committee, the Finance Committee, the Transportation Committee, the Appropriations Committee and as Senate President Pro Tempore.
LTG (Retired) John Randolph Vines	Director; Lieutenant General (retired) Vines has been a partner of McChrystal Group since 2016 and was previously a Senior Advisor to McChrystal Group beginning in 2011. General Vines retired in 2007 from the U.S. Army after 35 years active service. He was in continuous command for his last six years of service, including Commander, U.S. Army's XVIII Airborne Corps and Multi-National Corps Iraq. In addition, he commanded the Combined Joint Task Force 180 Afghanistan. General Vines also served as the Senior Defense Representative to Afghanistan and Pakistan and previously commanded the 82nd Airborne Division, which included a year-long deployment in Afghanistan. Following retirement, General Vines has acted as a Department of Defense Senior Mentor to U.S. Army and joint senior leadership and deploying combat units, a member of the Defense Service Board and a member of the Army DARPA Senior Advisory Group.

Parent

Parent is an Ohio corporation that was incorporated in 2005 and a direct, wholly-owned subsidiary of Scotts Miracle-Gro and serves as a holding company for Scotts Miracle-Gro's growing media and hydroponic businesses.

Parent's principal executive office is located at 14111 Scottslawn Road, Marysville, Ohio 43041, and its telephone number is (937) 644-0011.

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Directors and Executive Officers of Parent

The names and material occupations, positions, offices or employment during the past five years of Parent's directors and executive officers are set forth below. During the past five years, none of Parent nor any of Parent's directors or executive officers have been (i) convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. Unless otherwise indicated, the address for Parent and each of Parent's listed directors and executive officers is c/o The Scotts Miracle-Gro Company, 14111 Scottslawn Road, Marysville, Ohio 43041, and the phone number for Parent and each of Parent's listed directors and executive officers is (937) 644-0011.

Name	Position with Parent and Current Occupation of Employment and Five-Year Employment History
James Hagedorn	Director and Chief Executive Officer; Mr. Hagedorn was named Chairman of the Board of Scotts Miracle-Gro's predecessor in January 2003 and Chief Executive Officer of Scotts Miracle-Gro's predecessor in May 2001. He also served as President of Scotts Miracle-Gro (or its predecessor) from October 2015 until February 2016. Mr. Hagedorn serves on Scotts Miracle-Gro's Board of Directors, a position he has held with Scotts Miracle-Gro (or its predecessor) since 1995.
Michael C. Lukemire	President; Mr. Lukemire was named President and Chief Operating Officer of Scotts Miracle-Gro in February 2016. He served as Executive Vice President and Chief Operating Officer from December 2014 until February 2016.
Ivan C. Smith	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer; Mr. Smith was named Executive Vice President, General Counsel and Corporate Secretary of Scotts Miracle-Gro in July 2013 and Chief Compliance Officer of Scotts Miracle-Gro in October 2013.
Denise S. Stump	Executive Vice President; Ms. Stump was named Executive Vice President, Global Human Resources of Scotts Miracle-Gro in February 2003 and Chief Ethics Officer of Scotts Miracle-Gro in October 2013.

Merger Sub

Merger Sub is a Nevada corporation and a direct, wholly-owned subsidiary of Parent. Merger Sub was incorporated in 2020 by Parent solely for the purpose of entering into the transactions contemplated by the Merger Agreement, and has not entered into any business activities other than in connection with the transactions contemplated by the Merger Agreement. Upon completion of the Merger, Merger Sub will cease to exist as a separate entity and the Company will continue as the surviving corporation in the Merger.

Merger Sub's principal executive office is located at 14111 Scottslawn Road, Marysville, Ohio 43041, and its telephone number is (937) 644-0011.

Directors and Executive Officers of Merger Sub

The names and material occupations, positions, offices or employment during the past five years of Merger Sub's directors and executive officers are set forth below. During the past five years, none of Merger Sub nor any of Merger Sub's directors or executive officers have been (i) convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining such person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. Unless otherwise indicated, the address for Merger Sub and each of Merger Sub's listed directors and executive officers is c/o The Scotts Miracle-Gro Company, 14111 Scottslawn Road, Marysville, Ohio 43041, and the phone number for Merger Sub and each of Merger Sub's listed directors and executive officers is (937) 644-0011.

Name	Position with Merger Sub and Current Occupation of Employment and Five-Year Employment History
Ivan C. Smith	Director; Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer of Scotts Miracle-Gro; Mr. Smith was named Executive Vice President, General Counsel and Corporate Secretary of Scotts Miracle-Gro in July 2013 and Chief Compliance Officer of Scotts Miracle-Gro in October 2013.
Michael C. Lukemire	President; Mr. Lukemire was named President and Chief Operating Officer of Scotts Miracle-Gro in February 2016. He served as Executive Vice President and Chief Operating Officer from December 2014 until February 2016.
Peter S. Supron	Vice President; Mr. Supron has served as Chief of Staff to the President of Scotts Miracle-Gro since 2015. Prior to that, he served as Senior Vice President of Business Development, Vice President of Purchasing, and in various finance and strategy roles.

Significant Past Transactions and Contracts

On April 22, 2013, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Parent, pursuant to which Parent acquired 2,649,007 shares of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock"), and a warrant to purchase shares of the Company's common stock (as amended to date, the "Warrant") for an aggregate purchase price of $4,000,000.

On August 5, 2014, the Company issued 390,092 shares of common stock to Parent, of which: (i) 199,148 shares were issued as a dividend on the shares of Series B Preferred Stock pursuant to the Certificate of Designations (as defined below); (ii) 123,907 shares were issued as payment under the Technology License Agreement (as defined below); and (iii) 67,037 shares were issued as payment under the Brand License Agreement (as defined below)

On April 24, 2015, the Company issued 136,895 shares of common stock to Parent for the payment of interest under the 2014 Term Loan (as defined below), based upon the conversion price of the Series B Preferred Stock.

On July 14, 2015, the Company issued 799,553, of which (i) 211,921 shares were issued as a dividend on the shares of Series B Preferred Stock pursuant to the Certificate of Designations; (ii) 237,246 shares were issued as payment under the Technology License Agreement; and (iii) 350,386 shares were issued as payment under the Brand License Agreement.

On May 9, 2016, the Company issued 196,044 shares of common stock to Parent for the payment of interest under the 2015 Term Loan (as defined below), based upon the conversion price of the Series B Preferred Stock.

On July 1, 2016, the Company issued 878,362 shares of common stock to Parent, of which: (i) 211,921 shares were issued as a dividend on the shares of Series B Preferred Stock pursuant to the Certificate of

Designations; (ii) 259,763 shares were issued as payment under the Technology License Agreement; and (iii) 406,678 shares were issued as payment under the Brand License Agreement.

On December 16, 2016, the Company issued 125,250 shares of common stock to Parent, which reflected accrued dividends on the Series B Preferred Stock pursuant the Certificate of Designations.

On August 29, 2017, the Company issued 850,749 shares of common stock to Parent, of which: (i) 312,708 shares were issued as payment under the Technology License Agreement; and (ii) 539,041 shares were issued as payment under the Brand License Agreement, less 1,000 shares that the Company had previously issued to Parent as an inadvertent overpayment.

On November 29, 2016, Parent fully exercised the Warrant resulting in its acquisition of 21,613,342 shares of common stock.

Warrant

The Warrant entitled, but did not obligate, Parent to purchase a number of shares of common stock that constitutes, on a "fully diluted basis" (as defined in the Warrant), 80% of the Company's outstanding capital stock (when added to all other shares owned by Parent), as calculated as of the date or dates of exercise. The Warrant was exercisable at any time and from time to time for a period of five years between April 22, 2016 and April 22, 2021. In addition, the Warrant was exercisable in any increment with no obligation to exercise the entire Warrant at one time. On November 29, 2016, Parent fully exercised the Warrant resulting in its acquisition of 21,613,342 shares of common stock and the Company received proceeds of $47.8 million. Also on November 29, 2016, the Board declared a cash distribution of $40.5 million, or $1.21 per share of common stock, as a special one-time dividend based on Parent's exercise of the Warrant. The dividend was paid on January 3, 2017 to stockholders of record on December 20, 2016. The remaining proceeds were used to repay principal and accrued interest on the 2016 Term Loan (as defined below) and for operations related to the Company's existing lines of business and working capital. The exercise price of the Warrant was equal to the quotient obtained by dividing: (a) an amount equal to (i) 1.34 times the Company's trailing twelve months adjusted net sales, which equaled (A) the net sales of the Company under U.S. GAAP plus, (B) the cost to The Scotts Company, LLC or its affiliates for products that exploit the Hydroponic IP (as defined in the Technology License Agreement) but are not included in the net sales of the Company, plus (ii) the aggregate exercise price of outstanding in-the-money options and warrants (excluding the Warrant) based on the market price of the common stock as of the business day immediately preceding the date of exercise ("In-The-Money Derivative Securities"), minus (iii) the total liabilities of the Company under U.S. GAAP, less those liabilities associated with working capital (such as accounts payable of the Company) under U.S. GAAP, plus (iv) cash and cash equivalents, by (b) the total shares of capital stock outstanding, including outstanding In-The-Money Derivative Securities.

Series B Preferred Stock

On November 29, 2016, pursuant to the terms of the Company's Certificate of Designations of Series B Preferred Stock (the "Certificate of Designations"), the Series B Preferred Stock automatically converted into common stock upon Parent owning at least 50.1% of the issued and outstanding shares of common stock.

Investor's Rights Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, the Company and Parent entered into an Investor's Rights Agreement (the "Investor's Rights Agreement"). The terms of the Investor's Rights Agreement include the following:

Registration Rights. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from holders of at least 10% of the Registrable Securities (as defined in the Investor's Rights Agreement) then outstanding, that the Company file a registration statement on Form S-3 with respect to outstanding Registrable Securities of such holders having an anticipated aggregate offering price, net of selling expenses, of at least $1 million, then the Company shall (i) within 10 days after the date such request is given, give notice thereof (the “Demand Notice”) to all holders other than the initiating holders, and (ii) as soon as practicable, and in any event within 45 days after the date such request is given by the initiating holders, file a registration statement on Form S-3 under the Securities Act, covering all Registrable Securities requested to be included in such registration by any other holders, as specified by notice given by each such holder to the Company within 20 days of the date the Demand Notice is given, subject to the terms and conditions of the Investor’s Rights Agreement. The registration rights provision under the Investor’s Rights Agreement no longer applies.

Right of First Offer. Subject to the terms and conditions of the Investor’s Rights Agreement and applicable securities laws, if the Company proposes to offer or sell any equity securities, the Company must first offer such equity securities to Parent.

Equity-Based Compensation. Beginning with the fiscal year that started on April 1, 2013, from April 1, 2013 unless otherwise approved by the Board, the Company may not grant any equity-based compensation during any fiscal year that would cause the aggregate annual Fair Value Transfer (as defined in the Investor’s Rights Agreement) amount of all equity-based compensation granted in such fiscal year to exceed $182,500 per fiscal year; provided, however, that for the fiscal year beginning April 1, 2013, the following options granted to the Company’s former directors were excluded from the calculation of the aggregate annual Fair Value Transfer for purposes of the covenant: (i) options to purchase 100,000 shares of common stock with an exercise price of $1.10 per share; and (ii) options to purchase 50,000 shares of common stock with an exercise price of $1.21. Beginning with the date of the Investor’s Rights Agreement, any request for approval of an equity-based grant submitted to the Board must include the calculation of the Fair Value Transfer amount for all equity-based compensation granted for such fiscal year, giving effect to the grants proposed for approval. Since April 1, 2013, all grants meeting the foregoing criteria were approved by the Board.

Voting Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, Parent entered into a Voting Agreement (the “Voting Agreement”) with J. Michael Wolfe, the Company’s current President and Chief Executive Officer, H. MacGregor Clarke, a member of the Board, John K. Thompson, the Company’s current Executive Vice President, Sales and Marketing, and Secretary, Grey H. Gibbs, the Company’s current Senior Vice President of Finance and Administration, Jack J. Walker, The Peierls Foundation, Inc., Lazarus Investment Partners LLLP, and Michael S. Barish. The purpose of the Voting Agreement was to set forth parties’ agreements and understandings with respect to how shares of the Company’s capital stock held by them would be voted on in connection with an increase in the number of shares of common stock required to provide for (i) the conversion of the Series B Preferred Stock, (ii) issuance of common stock as dividends on the Series B Preferred Stock, (iii) issuance of common stock upon exercise of the Warrant, (iv) issuance of common stock as payment in accordance with the Brand License Agreement, and (v) issuance of Common Stock as payment in accordance with the Technology License Agreement. On November 29, 2016, the Voting Agreement terminated upon the conversion of all outstanding shares of Series B Preferred Stock into shares of common stock.

Brand License Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, OMS and the Company entered into a Brand License Agreement (the “Original Brand License Agreement”). On March 28, 2018, the parties entered into a new Brand License Agreement (the “2018 Brand License Agreement” and, together with the Original Brand License Agreement, as amended to date, the “Brand License Agreement”), dated as of April 1, 2018, in order to extend the term of the Original Brand License Agreement to March 31, 2023, add additional territory for sales of the Company and alter the calculation of license fees from the Original Brand License Agreement. Pursuant to the terms of the Brand License Agreement, OMS granted to the Company a non-exclusive license (the "Brand License") to use certain trademarks on and in connection with certain hydroponic and aeroponic products in North America and certain European countries in exchange for the Company's payment to OMS of an amount equal to 5% of incremental growth in annual net sales for the then-current fiscal year, as compared to net sales during the fiscal year ended March 31, 2013 (the "License Fee"). For contract years one through four, the License Fee was payable in shares of commons stock at the then-current Series B Preferred Stock conversion price.

For subsequent contract years, the License Fee is payable in cash. If the License Fee owed to OMS for the fourth contract year was less than $500,000, then the Company would pay an additional fee in shares of common stock equal to the difference between $500,000 and the License Fee due. If the License Fee owed to OMS for the fifth contract year or any subsequent contract year is less than $1,000,000, then the Company must pay OMS an additional fee in cash equal to the difference between $1,000,000 and the License Fee due for such contract year. The Brand License Agreement contains representations, warranties, covenants and indemnification customary for agreements of this type. The initial term of the Original Brand License Agreement was from April 22, 2013 to March 31, 2018 and the initial term of the 2018 Brand License Agreement is from April 1, 2018 to March 31, 2023. The Company may renew the Brand License Agreement for consecutive five-year renewal terms by notifying OMS at least six months in advance of the then-current term, provided that the Company is not then in default thereunder. The Brand License Agreement contains a termination provision customary for agreements of this type. The Brand License may not be assigned or sub-licensed.

OMS assigned to Parent all future payments due or to become due under the Brand License Agreement that are payable in shares of common stock.

During the fiscal year ended March 31, 2020, the Company accrued, and paid subsequent to fiscal year end, payables of approximately $469,000, and during the six months ended September 30, 2020, the Company accrued payables of approximately $559,000, in each case, to OMS, and issued no shares of common stock under the Brand License Agreement. As of September 30, 2020, the Company had issued an aggregate of 662,990 shares of common stock to OMS (which were assigned to Parent) under the Brand License Agreement.

Technology License Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, OMS and the Company entered into a Technology License Agreement (as amended to date, the "Technology License Agreement"). Pursuant to the terms of the Technology License Agreement, OMS granted the Company an exclusive license (the "Technology License") to use certain hydroponic intellectual property in North America and certain European countries in exchange for a royalty of 2% of the Company's net sales (the "Royalty"), as determined at the end of each fiscal year. For contract years one through four, the Royalty was payable in shares of common stock at the then-current Series B Preferred Stock conversion price. For subsequent contract years, the Royalty is payable in cash. The Technology License Agreement contains representations, warranties, covenants and indemnification customary for agreements of this type. The initial term of the Technology License Agreement was five years from April 1, 2013. The Company may renew the Technology License Agreement for consecutive five-year renewal terms by notifying OMS at least six months in advance of the then-current term, provided that the Company is not then in default thereunder. On March 28, 2018, the Company, pursuant to a waiver granted by OMS, renewed the Technology License Agreement for an additional five-year term ending on March 31, 2023. The Technology License Agreement contains a termination provision customary for agreements of this type. The Technology License may not be assigned or sub-licensed.

OMS assigned to Parent all future payments due or to become due under the Technology License Agreement that are payable in shares of common stock.

During the fiscal year ended March 31, 2020, the Company accrued, and paid subsequent to fiscal year end, payables of approximately $784,000, and during the six months ended September 30, 2020, the Company accrued payables of approximately $777,000, in each case, to OMS, and issued no shares of common stock under the Technology License Agreement. As of September 30, 2020, the Company had issued an aggregate of 1,363,142 shares of common stock to OMS (which were assigned to Parent) under the Technology License Agreement.

Intellectual Property Purchase Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, OMS and the Company entered into an Intellectual Property Purchase Agreement (the "Intellectual Property Purchase Agreement"). Pursuant to the terms of the Intellectual Property Purchase Agreement, we agreed to sell all intellectual property associated with our hydroponic products (the "Hydroponic IP") developed prior to April 1, 2013, other than the AeroGrow and AeroGarden trademarks, free and clear of all encumbrances, to Scotts Miracle-Gro for $500,000 and we also agreed to pay 2% of our revenue to Scotts Miracle-Gro for a defined period, as discussed under " —Technology License Agreement." Scotts Miracle-Gro has the right to use the AeroGrow and AeroGarden trademarks in connection with the sale of products incorporating the Hydroponic IP.

Supply Chain Services Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, The Scotts Company LLC ("TSC"), a direct, wholly-owned subsidiary of Scotts Miracle-Gro, OMS (and, together with TSC, the "Supply Chain Parties") and the Company entered into a Supply Chain Services Agreement (as amended to date, the "Supply Chain Services Agreement). Pursuant to the terms of the Supply Chain Services Agreement, the Supply Chain Parties will pay the Company an annual fee equal to 7% of the cost of goods of all products and services requested by the Supply Chain Parties during the term of the Technology License Agreement, thereby assisting the Company in exploiting the Hydroponic IP internationally, subject to certain exceptions.

During the fiscal year ended March 31, 2020 and the six months ended September 30, 2020, there were no payments made under the Supply Chain Services Agreement.

Collaboration Services Agreement

In connection with the Securities Purchase Agreement, on April 22, 2013, TSC, OMS (and, together with TSC, the "Collaboration Parties") and the Company entered into a Collaboration Services Agreement (as amended to date, the "Collaboration Services Agreement") under which AeroGrow and TSC may request the other to provide it with certain enumerated services. Pursuant to the terms of the Collaboration Services Agreement, , (i) the Company will reimburse TSC (or the applicable affiliate) for all reasonable out-of-pocket costs incurred by TSC (or the applicable affiliate) in performing the Services for the Company and (ii) TSC will reimburse the Company for (x) all reasonable out-of-pocket costs incurred by the Company in performing the AeroGrow Information Services and (y) pay the Company all service fees for the AeroGrow DTC Services and AeroGrow Development Services as set forth therein.

During the fiscal year ended March 31, 2020 and the six months ended September 30, 2020, the Collaboration Parties paid the Company approximately $203,000 and approximately $31,000, respectively, under the Collaboration Services Agreement.

2014 Term Loan and Security Agreement

On July 10, 2014, the Company, as borrower, and Parent, as lender, entered into a $4.5 million Term Loan and Security Agreement (as amended, the "2014 Loan Agreement"). Under the 2014 Loan Agreement, Parent loaned the Company an aggregate of $4.5 million (the "2014 Term Loan"). The funding provided capital solely to fund the acquisition of inventory by the Company. The proceeds were made available as needed in three advances of up to $1.0 million, $1.5 million, and $2.0 million in July 2014, August 2014, and September 2014, respectively, with a due date of February 15, 2015 (the "Maturity Date"). The unpaid principal balance of the 2014 Term Loan bore interest at a rate equal to 10% per annum through February 15, 2015 and 20% per annum thereafter. Interest on the 2014 Term Loan was payable in shares of common stock at the then-current Series B Preferred Stock conversion price. The principal was paid in cash before the Maturity Date. On April 24, 2015, all outstanding amounts owed by the Company to Parent under the 2014 Loan Agreement were paid. The largest aggregate amount of principal outstanding during the period of the 2014 Loan Agreement was $4.5 million, the Company paid $4.5 million of principal during the period of the 2014 Loan Agreement and the Company paid approximately $201,000 of interest during the period of the 2014 Loan Agreement.

2015 Term Loan and Security Agreement

On July 6, 2015, the Company, as borrower, entered a $6.0 million Term Loan and Security Agreement with Parent, as lender (the "2015 Loan Agreement"). The funding provided capital solely to fund the acquisition of inventory by the Company. The proceeds were made available as needed in three advances of up to $2.0 million, $2.5 million, and $1.5 million in July 2015, August 2015, and September 2015, respectively, with a due date of April 15, 2016. Interest was charged at the stated rate of 10%, but was paid in shares of common stock, valued at a price per share equal to the Series B Preferred Stock conversion price on May 9, 2016 (the date all outstanding amounts owed by the Company to Parent under the 2015 Loan Agreement were paid in full). The largest aggregate amount of principal outstanding during the period of the 2015 Loan Agreement was $6.0 million, the Company paid $6.0 million of principal during the period of the 2015 Loan Agreement and the Company paid approximately $293,000 of interest during the period of the 2015 Loan Agreement.

2016 Term Loan and Security Agreement

On July 15, 2016, the Company, as borrower, entered a $6.0 million Term Loan and Security Agreement with Parent, as lender (the "2016 Loan Agreement"). The funding provided capital solely to fund operations related to the Company's existing lines of business. The proceeds were made available as needed in increments of $500,000, not to exceed $6.0 million, with a due date of April 15, 2017. Interest was charged at the stated rate of 10%. The largest aggregate amount of principal outstanding during the period of the 2016 Loan Agreement was $5.25 million, the Company paid $5.25 million of principal during the period of the 2016 Loan Agreement and the Company paid approximately $104,000 of interest during the period of the 2016 Loan Agreement.

2017 Term Loan and Security Agreement

On September 13, 2017, the Company, as borrower, entered a $2.0 million Term Loan and Security Agreement with TSC, as lender (the "2017 Loan Agreement"). The funding provided capital solely to fund operations related to the Company's existing lines of business. The proceeds were made available as needed in increments of $500,000, not to exceed $2.0 million, with a due date of March 30, 2018. Interest was charged at the stated rate of 10%. The largest aggregate amount of principal outstanding during the period of the 2017 Loan Agreement was $1.0 million, the Company paid $1.0 million of principal during the period of the 2017 Loan Agreement and the Company paid approximately $19,000 of interest during the period of the 2017 Loan Agreement.

2018 Term Loan and Security Agreement

On June 6, 2018, the Company, as borrower, entered a $6.0 million Term Loan and Security Agreement with TSC, as lender (the "2018 Loan Agreement"). The funding provided capital solely to fund operations related to the Company's existing lines of business. The proceeds were made available as needed in increments of $500,000, not to exceed $6.0 million, with a due date of March 29, 2019. Interest was charged at the stated rate of 10%. The largest aggregate amount of principal outstanding during the period of the 2018 Loan Agreement was $6.0 million, the Company paid $6.0 million of principal during the period of the 2018 Loan Agreement and the Company paid approximately $293,000 of interest during the period of the 2018 Loan Agreement.

2019 Term Loan and Security Agreement

On June 20, 2019, the Company, as borrower, entered a $10.0 million Term Loan and Security Agreement with TSC, as lender (the "2019 Loan Agreement"). The funding provided capital solely to fund operations related to the Company's existing lines of business. The proceeds were made available as needed in increments of $500,000, not to exceed $10.0 million, with a due date of March 31, 2020. Interest was charged at the stated rate of 10%. The largest aggregate amount of principal outstanding during the period of the 2019 Loan Agreement was $4.5 million, the Company paid $4.5 million of principal during the period of the 2019 Loan Agreement and the Company paid approximately $163,000 of interest during the period of the 2019 Loan Agreement.

2019 Real Estate Term Loan and Security Agreement

On June 21, 2019, the Company, as borrower, entered into a $1.5 million Real Estate Term Loan and Security Agreement with TSC, as lender (the "2019 Real Estate Term Loan and Security Agreement"), with a due date of March 31, 2022. The funding provides capital to fund real estate related expenses of the Company, including, but not limited to, lease payments. The proceeds are available as needed in increments of $100,000, not to exceed $1.5 million. Interest is charged at the stated rate of 10% per annum. The largest aggregate amount of principal outstanding during the period of the 2019 Real Estate Term Loan and Security Agreement through September 30, 2020 was approximately $900,000, approximately $900,000 of principal was outstanding as of September 30, 2020, the Company had not paid any principal as of September 30, 2020 and the Company paid approximately $94,000 of interest as of September 30, 2020.

2020 Term Loan and Security Agreement

On August 3, 2020, the Company, as borrower, entered a $7.5 million Term Loan and Security Agreement with TSC, as lender (the "2020 Loan Agreement"). The funding provides capital solely to fund operations related to the Company's existing lines of business. The proceeds are available as needed in increments of $500,000, not to exceed $7.5 million, with a due date of June 30, 2021. Interest is charged at the stated rate of 10% and paid quarterly in arrears on each of September 30, 2020, December 30, 2020, March 31, 2021 and June 30, 2021. The largest aggregate amount of principal outstanding during the period of the 2020 Loan Agreement through September 30, 2020 was $2.0 million, $2.0 million of principal was outstanding as of September 30, 2020, the Company had not paid any principal as of September 30, 2020 and the Company paid approximately $21,000 of interest as of September 30, 2020.