IN THE SUPREME COURT OF THE STATE OF NEVADA

****

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 9 OF 12)

FOR WRIT OF MANDAMUS TO REVERSE DISTRICT COURT'S ORDER GRANTING JOINT MOTION TO COMPEL

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,

Real Parties in Interest.

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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 9 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

Real Parties in Interest:

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Reno, Nevada 89509

Attorneys for Real Parties in Interest 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 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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ITEM 6. SELECTED FINANCIAL DATA

Statements of Operations Data

(in thousands, except per share data)	Fiscal Years ended March 31, 2020	2019
Revenues	$ 39,214	$ 34,366
Cost of revenue	25,185	22,395
Gross profit	14,029	11,971
Operating Expenses		
Research and development	877	590
Sales and marketing	8,852	8,462
General and administrative	3,992	2,913
Total operating expenses	13,721	11,965
Income from operations	308	6
Other income (expense)	(251)	(297)
Net income (loss)	$ 57	$ (291)
Net income (loss) per share, basic and diluted	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	34,328	34,328
Weighted average number of common shares outstanding, diluted	34,328	34,328

Balance Sheet Data

(in thousands)	2020	2019
Cash and cash equivalents and restricted cash	$ 9,061	$ 1,756
Total assets	$ 22,047	$ 16,859
Total liabilities	$ 9,538	$ 4,407
Total stockholders' equity	$ 12,509	$ 12,452

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K ("Annual Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industry in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "may," "will," "would," "could," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward looking statements may include, among others, statements concerning our expectations regarding our business, growth prospects, revenue trends, operating costs, results of operations, working capital requirements, access to funding, competition and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. These forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from expectations expressed or implied in forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled "Risk Factors" in Item 1A of Part I and elsewhere, and in other reports we file with the SEC, specifically the most recent reports on Form 10-Q. While forward-looking statements are based on reasonable expectations of our management at the time that they are made, you should not rely on them. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Executive Overview

We are in the business of developing, marketing, and distributing advanced indoor aeroponic and hydroponic garden systems. After several years of initial research and product development, we began sales activities in March 2006. Since that time we have expanded our operations and currently offer four different indoor garden models with many sub models with each model category, more than 40 seed pod kits, and various gardening and kitchen accessories. Although our business is focused on the United States and Canada, our products are available in other countries and we have continued to expand our market into Europe, including the United Kingdom, France, Germany, Italy and Spain.

Background of Scotts Miracle-Gro Alliance – Fiscal Years 2014-2019

As disclosed above under the caption "Item 1. Business," we entered into a Securities Purchase Agreement and strategic alliance in April 2013 with a wholly owned subsidiary of Scotts Miracle-Gro. Pursuant to the Securities Purchase Agreement, we issued (i) 2,649,007 shares of Series B Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock); and (ii) a warrant to purchase shares of our common stock for an aggregate purchase price of $4.0 million. In November 2016, Scotts Miracle-Gro converted all of its Series B Preferred Stock and exercised all of its warrants, thereby increasing its equity ownership to approximately 80% of the Company's outstanding common stock. In addition, as part of the strategic alliance, we entered into several other agreements with Scotts Miracle-Gro, including: (i) an Intellectual Property Sale Agreement in which we agreed to sell all intellectual property associated with our hydroponic products, other than the AeroGrow and AeroGarden trademarks, free and clear of all encumbrances, to Scotts Miracle-Gro for $500,000; (ii) a Technology Licensing Agreement; (iii) a Brand License Agreement; and (iv) a Supply Chain Management Agreement. In addition to the initial working capital infusion of approximately $4.5 million in Fiscal Year 2014 from the Securities Purchase Agreement and Intellectual Property Sale Agreement, as well as ongoing seasonal term loans to fund operations through Fiscal Year 2020, we believe that the strategic alliance affords us the use of the globally recognized and highly trusted Miracle-Gro brand name.

We believe that the strategic alliance also gives Scotts Miracle-Gro an entry into the burgeoning indoor gardening market, while providing AeroGrow a broad base of support in marketing, distribution, supply chain logistics, R&D, and sourcing. We have used the opportunities provided by our strategic alliance with Scotts Miracle-Gro to re-establish our presence in the retail sales channels. During the first six months of Fiscal 2014, we cobranded our products with the Miracle-Gro AeroGarden trade name. We have since renewed our focus in growing the business via retail markets.

Recent Proposal by Scotts Miracle-Gro

In a Schedule 13D/A filed by Scotts Miracle-Gro with the SEC on March 2, 2020, Scotts Miracle-Gro made an unsolicited proposal to AeroGrow recommending a range of operational adjustments for consideration by the AeroGrow Board of Directors that would effectively outsource most of Issuer's operations to Scotts Miracle-Gro or an affiliate of Scotts Miracle-Gro. The proposal and related transactions may pose conflicts of interest and may result in: (i) cessation of AeroGrow's status as a publicly traded company and SEC-reporting company; and (ii) may result in the liquidation of common stock held by minority shareholders at a price that may not represent the full future economic value of the common stock. See Item 1A. Risk Factors.

New Developments – Fiscal Year 2020

During Fiscal 2020, we continued our strategic growth initiative by offering our products in approximately 2,100 stores and we also enhanced the depth and breadth of our direct sales distribution channels by distributing approximately 346,000 direct mail catalogues, significantly increasing our web-selling presence and developing a robust e-mail marketing program. In Fiscal 2020, approximately 66.0% of our total sales were to retail customers and approximately 34.0% of our total sales were to direct customers. Amazon.com, Inc., our largest retailer customer, comprised approximately 56.9% of our sales to retailers and 36.6% of our total sales during Fiscal 2020.

The cobranding of products with Scotts Miracle-Gro on seed pod kits remains in place. In June 2019, we also entered into a $10.0 million Term Loan Agreement with Scotts Miracle-Gro in order to provide incremental working capital in advance of our peak selling season. Interest was charged at the stated rate of 10% per annum.

During the fourth quarter Fiscal 2020 the impact of the ongoing COVID-19 pandemic began to affect our operations and financial results as there were changes to general economic and retail conditions. We began to see an increase in sales from the COVID-19 pandemic but also saw some risk in retail conditions as retailers temporarily closed storefronts, however, consumers shifted purchasing behavior to online purchases. As consumers shift to online purchases our product is well suited for sales as consumers can shop and research at their leisure.

Our Critical Accounting Policies

Inventory

Inventories are valued at the lower of cost, as determined by standard pricing, which approximates the first-in, first-out method, or net realizable value. When the Company is the manufacturer, raw materials, labor and manufacturing overhead are included in inventory costs. We record the raw materials at delivered cost. Standard labor and manufacturing overhead costs are applied to the finished goods based on normal production capacity. A majority of our products are manufactured overseas and are recorded at cost, which includes product costs for purchased and manufactured products, and freight and transportation costs for inbound freight from manufacturers.

Inventory (in thousands)	March 31, 2020	March 31, 2019
Finished goods	$ 3,191	$ 7,071
Raw materials	1,597	1,369
	$ 4,788	$ 8,440

The Company determines an inventory obsolescence reserve based on management's historical experience and establishes reserves against inventory according to the product lifecycle. As of March 31, 2020 and 2019, the Company reserved $151,000 and $126,000, respectively, for inventory obsolescence. The increase in the inventory obsolescence is attributable to examining aged inventory, including seeds, displays and replacement part and offset by disposing of the inventory that had been reserved.

Revenue Recognition

The Company currently has two operating and reportable segments: (i) the Direct-to-Consumer segment, which is composed of sales directly from our website, mail order or customer calls to our customer service department; and (ii) the Retail segment, which is comprised of all sales related to retailers, including where possession of our product is taken and sold by the retailer in store or online, and drop ship orders that process from the retailer and drop directly to our warehouse for us to ship on behalf of the retailer.

The majority of the Company's revenue is recognized at a point in time as the products are homogenous and can be sold to a variety of customers and when it satisfies a single performance obligation by transferring control of its products and the risk of loss to a customer. Control is generally transferred when the Company's products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company's general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations as of March 31, 2020 or March 31, 2019. The Company excludes from revenues all taxes assessed by a governmental authority that are imposed on the sale of its products and collected from customers.

Promotional and other allowances (variable consideration) recorded as a reduction to net sales, primarily include consideration given to retail customers including, but not limited to the following:

- discounts granted off list prices to support price promotions to end-consumers by retailers;
- the Company's agreed share of fees given directly to retailers for advertising, in-store marketing and promotional activities; and
- incentives given to the Company's retailers for achieving or exceeding certain predetermined purchases (i.e., rebates).

The Company's promotional allowance programs with retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and range from one day to one year. The Company's promotional and other allowances are calculated based on various programs with retail customers, and accruals are established during the year for its anticipated liabilities. These accruals are based on agreed upon terms, as well as the Company's historical experience with similar programs, and require management's judgment with respect to estimating consumer participation and retail customer performance levels. Differences between such estimated expense and actual expenses for promotional and other allowance costs have historically been insignificant and are recognized in earnings in the period in which such differences are determined.

The Company records estimated reductions to revenue for customer and distributor programs and incentive offerings, including promotions, rebates, and other volume-based incentives, based on historical rates. Certain incentive programs require the Company to estimate the number of customers who will actually redeem the incentive based on historical industry experience. As of March 31, 2020 and 2019, the Company recorded a $744,000 reduction in and $1.2 million of accrued expenses, respectively, as an estimate for the foregoing deductions and allowances within the "accounts receivable, net" line of the balance sheets, respectively.

The Company reserves for known and potential returns and associated refunds or credits related to such returns based upon historical experience. In certain cases, customers are provided a fixed allowance, usually in the 1% to 2% range, to cover returned goods. This allowance is deducted from payments made to us by such retailers. As of March 31, 2020 and 2019, the Company recorded a reserve for customer returns of $430,000 and $313,000, respectively.

Warranty

The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under its basic warranty program. The specific warranty terms and conditions vary depending upon the product sold but generally include technical support, repair parts and labor for periods up to one year. Factors that affect our warranty liability include the number of installed units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. Based upon the foregoing, the Company recorded a provision for potential future warranty costs of $226,000 and $166,000, as of March 31, 2020 and 2019, respectively.

Shipping and Handling Costs

Shipping and handling costs associated with inbound freight are recorded in cost of revenue and are capitalized in inventory until the inventory is sold. Shipping and handling costs associated with freight out to customers are also included in cost of revenue. Shipping and handling charges paid by customers are included in net revenue.

Stock Based Compensation

The Company accounts for share-based payments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718-10-55 *Shared-Based Payment*. The Company uses the Black-Scholes option valuation model to estimate the fair value of stock option awards issued. For the years ended March 31, 2020, and 2019, equity compensation in the form of stock options and grants of restricted stock that vested totaled $0.

Advertising and Production Costs

The Company expenses all production costs related to advertising, including, print, television, and radio advertisements when the advertisement has been broadcast or otherwise distributed. In contrast, we record media and marketing costs related to our direct-to-consumer advertisements, inclusive of postage and printing costs incurred in conjunction with mailings of direct response catalogues, and related direct response advertising costs, in accordance with ASC 340-20-25 *Capitalized Advertising Costs*. As prescribed by ASC 340-20-25, direct response advertising costs incurred are reported as assets and should be amortized over the estimated period of the benefits, based on the proportion of current period revenue from the advertisement to probable future revenue.

As the Company has re-entered the retail distribution channel, it has expanded advertising into online gateway and portal advertising, as well as placement in third party catalogues.

Advertising expenses for the years ended March 31, 2020 and March 31, 2019, were as follows:

	Fiscal Year Ended March 31, (in thousands)	
	2020	**2019**
Direct-to-consumer	$ 797	$ 674
Retail	3,007	3,093
General	1,190	317
Total advertising expense	$ 4,994	$ 4,084

As of March 31, 2020 and March 31, 2019, the Company deferred $84,000 and $3,000, respectively, related to such media and advertising costs, including capitalized pay-per-click, catalogue costs (as described above) and commercial production costs. The costs are included in the prepaid expenses and other line of the balance sheets.

Research and Development

Research, development, and engineering costs are expensed as incurred. Research, development, and engineering expenses primarily include payroll and headcount related costs, contractor fees, infrastructure costs, and administrative expenses directly related to research and development support.

New Accounting Pronouncements

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments," which requires entities to estimate all expected credit losses for certain types of financial instruments, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The updated guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. This guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within that reporting period, and early adoption is permitted. The Company is in the process of evaluating the potential impact of this new guidance on the Company's consolidated financial statements and related disclosures.

Accounting Standards Recently Adopted

In February 2016, the FASB issued ASU 2016-02, Leases ("ASC 842"), which, among other things, requires an entity to recognize a right-of-use ("ROU") asset and a lease liability on the balance sheet for substantially all leases, including operating leases. The Company adopted ASC 842 effective April 1, 2019 utilizing the modified retrospective approach such that prior year Financial Statements were not recast under the new standard. Adoption of this standard resulted in changes to the Company's Condensed Balance Sheets, Condensed Statements of Operations and accounting policies for leases but did not have an impact on the Statements of Cash Flows. See Note 8 for additional information regarding the new standard and its impact on the Company's Financial Statements.

Inflation, Seasonality and Currency Fluctuations

We do not currently expect inflation to have a significant effect on our operations. Because our garden systems are designed for indoor gardening use, we experience slower sales in the United States and Canada during the late spring and summer months when our consumers may tend to garden outdoors. In addition, we have experienced increased sales during the four-month holiday season beginning in October and continuing through January. We sell to our international distributors in U.S. dollars thereby minimizing effects from currency fluctuations. We purchase our gardens and other accessory products from Chinese manufacturers, and these purchases are denominated in U.S. dollars. However, over time, the cost of the products we procure from China may be affected by changes in the value of the U.S. dollar relative to the Chinese currency and/or by labor and material cost increases faced by our Chinese manufacturers.

Results of Operations

The following table sets forth, as a percentage of sales, our financial results for the last two fiscal years:

	Fiscal Years Ended March 31,	
	2020	**2019**
Net revenue		
Direct-to-consumer	34.0%	23.5%
Retail	64.3%	72.4%
International	1.7%	4.1%
Total net revenue	100.0%	100.0%
Cost of revenue	64.2%	65.2%
Gross profit	35.8%	34.8%
Operating expenses		
Research and development	2.2%	1.7%
Sales and marketing	22.6%	24.6%
General and administrative	10.2%	8.5%
Total operating expenses	35.0%	34.8%
Income from operations	0.8%	0.0%
Total other income/(expense), net	(0.6%)	(0.9%)
Net income (loss)	0.2%	(0.9%)

Fiscal Years Ended March 31, 2020 and March 31, 2019

Summary Overview

Our net revenue in Fiscal 2020 totaled $39.2 million, an increase of 14.1% from Fiscal 2019 revenues. This increase was primarily due to our increased focus on driving sales with more targeted advertising campaigns, which led to: (i) increased Direct-to-consumer sales; (ii) continued sales through broader channels in store and web/internet channels (Amazon.com, woot!, Good Morning America, Macy's, etc.); and (iii) expanded sales through customer department stores (namely Macy's, and Kohl's). Additionally, the sales increase resulted from newly acquired retail accounts, including tests with Mediocre Corporation and Wayfair. In summary, we believe increased targeted and general advertising drove sales increases in all of our channels.

Our sales to retailer customers increased by 1.4% to $25.2 million during Fiscal 2020. Retailer sales encompass sales to both traditional in-store and on-line retailers. The increase in sales to retailers reflected continued sales to the existing Amazon.com, woot! and Macy's accounts, as well as newly acquired retail accounts such as Meh.com and Wayfair. While we limited the number of sales into retail stores during FY20, improved advertising generated better product awareness and increased sales to end users, which resulted in less reserves for discounts and actual returns. We spent $3.0 million in advertising in the retail distribution channel, including more targeted campaigns such as pay per click and banner ads, catalogues, and continued to promote general brand awareness.

Direct-to-consumer sales during Fiscal 2020 increased to $13.3 million, or 64.6%, in the face of alternative on-line retailer outlets (primarily Amazon.com). This increase resulted primarily from our efficiency of our promotional campaigns, scheduled promotional calendar and a redesigned and effective website. We believe that our increased presence on Amazon, and other select online retailers , as well as continued momentum from our general advertising and marketing campaign and an expanded user-base, led to greater customer visibility.

International sales during Fiscal 2020 decreased to $685,000, a decrease of 51.3%, as we continue to balance profitability and the desire to test the international markets and understand the trends and acceptance of our product in international markets. The international markets consisted primarily of sales to Amazon platforms in the United Kingdom, France, Germany, Italy and Spain.

For the year ended March 31, 2020, total gross dollar sales of AeroGardens and seed pod kit accessories increased by 1.8% and 34.5%, respectively. AeroGarden sales, net of allowances, represented 72.1% of total revenue, as compared to 76.4% in the prior year period. This percentage decrease, on a product line basis, was primarily attributable to growth in customers purchasing more seed pod kits and accessories and the decreased number of gardens sold into stores for the holiday season during Fiscal 2020. Seed pod kit and accessory gross sales increased as a percent of the total sales from 23.6% in Fiscal 2019 to 27.8% in Fiscal 2020, primarily as a result of the continued popularity of AeroGardens that have been placed in service over the past few years.

For Fiscal 2020, we incurred $5.0 million in advertising expenditures, a 22.3% year-over-year increase compared to the Fiscal Year ended 2019, which included $812,000 in general television, YouTube, Facebook and other media advertising. The Company views this investment as a long term commitment to increasing awareness of the AeroGarden brand and indoor gardening category to support growth in both our direct-to-consumer and retail channels. Overall advertising efficiency (measured as total revenue per dollar of advertising expense) decreased from $8.42 to $7.85 for the years ended March 31, 2019 and March 31, 2020, respectively, due to a strategic focus on retail advertising along with more measurable general advertising and brand awareness through digital channels. These expenditures included:

- Direct-to-consumer advertising increased 18.3% to $797,000 in Fiscal 2020 from $674,000 in Fiscal 2019, primarily as a result of increased pay-per-click, catalogues, social media expenditures and targeted advertising. Efficiency, as measured by dollars of direct-to-consumer sales per dollar of related advertising expense, increased to $16.71, or 39.2%, for Fiscal 2020, as compared to $12.00 for Fiscal 2019.
- Retail advertising decreased $85,000 to $3.0 million in Fiscal 2020, as we focused on driving product awareness on behalf of our retail partners and invested in: (i) platforms made available by our retailers; (ii) fewer promotional programs to increase product awareness with our housewares channel of retail accounts, including catalogues and email campaigns; and (iii) web-based advertising programs (e.g. retail catalogues, website banner ads, email blasts, targeted search campaigns, etc.). We believe that the advertising in the retail channel will be more targeted and generate greater direct-to-consumer sales through improved customer awareness.
- Finally, in support of driving increased levels of category and brand awareness during Fiscal 2020, we spent over $985,000 in general television, media production and public relations. The Company views this investment as a long-term commitment to increasing awareness of the AeroGarden brand.

The combination of all of the factors cited above helped drive a year-over-year increase in total net revenues of 14.1% to $39.2 million in Fiscal 2020.

Our gross margin for Fiscal 2020 was 35.8%, up from 34.8% in the prior fiscal year. This increase was caused by: (i) an increase in sales through more profitable retailers and continued significant growth in higher margin direct-to-consumer sales; (ii) increased focus on pricing with existing retail accounts; (iii) removal of costs in the production process associated with older product lines; (iv) the introduction of new products with higher margins; and (v) the impact of the lower return reserve and discounts with retailers due to better sell-through. The increase in our margins was partially offset by frictional cost associated with reduced returns in the retail channel and decreased sales into European market, which entails additional up-front and delivery costs. Long term, we also believe that creating increased brand awareness through advertising will help us maintain higher prices and deliver better margins.

Operating expenses for Fiscal 2020 totaled $13.7 million, an increase of 14.7% or $1.8 million over the prior fiscal year. As a percentage of total revenue, operating expenses increased 0.2% year-over-year. Gross spending increased in the following areas:

- A $911,000 increase in advertising, primarily related to participation in linear TV, Online TV, Connected TV, general TV, YouTube, Facebook and other media advertising; and
- A $761,000 increase in personnel expenses driven by the company-wide incentive program and an increase in employee headcount;
- A $412,000 increase in general expense categories such as depreciation, bad debt, insurance, repairs and maintenance, offices supplies, equipment; and
- A $128,000 increase in one-time expenses for outside contractors relating to e-commerce security investments.

The increases in operating expenses were partially offset by a $517,000 decrease due to a changes in general categories such as product testing and certification fees, public relations, trade shows, promotions and market research.

General and administrative expense totaled $4.0 million during Fiscal 2020, an increase of 37.0% or $1.1 million as compared to the prior year, primarily due to increases in (i) payroll-related expenses, including incentive programs, salaries, bonuses and employee benefits; (ii) consulting and legal fees associated with a cyber security program, a previous credit card breach, and web hosting investments due to increased volume, electronic data processing, and network consulting and software troubleshooting fees; (iii) office rent relating to new accounting guidance on leases and relocation of the corporate headquarters; and (iv) estimates for the allowance for bad debt and depreciation.

Research and development costs also increased 48.6% year-over-year, or $287,000 in Fiscal 2020. Research and development spending increased in Fiscal 2020, particularly due to: (i) the addition of full-time employees to expedite our new product development process; (ii) the company-wide incentive program; (iii) market research; and (iv) investments in new product and prototype development, including our largest most advanced product system, that we anticipate introducing to the market in the next fiscal year, along with related testing certifications; and (v) termination of a collaboration expense offset program with Scotts Miracle-Gro. In prior years, Scotts Miracle-Gro offset a portion of the Company's product development expenses.

Our income from operations totaled $308,000 for Fiscal 2020, as compared to income of $6,000 in the prior year, primarily as a result of the $4.8 million increase in sales and increased gross margin, partially offset by increased sales and operating expenses (as discussed above).

Other loss for Fiscal 2020 totaled $251,000, as compared to other loss of $297,000 in the prior year, primarily as a result of lower principal and interest payments on the Term Loan with Scotts Miracle-Gro. In the prior year, we incurred increased debt under the Scotts Miracle-Gro Term Loan.

Our net income for Fiscal 2020 totaled $57,000, a $348,000 improvement over the net loss of $291,000 in Fiscal 2019, primarily due to increased sales volumes and operating margins as we continued to refine our selling strategy, partially offset by increased operating expenses.

Revenue

The table set forth below shows quarterly revenues by sales channel for the fiscal years ended March 31, 2020, and March 31, 2019:

Fiscal 2020	**Quarters ended**				**Year ended**
(in thousands)	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**	**31-Mar-20**	**31-Mar-2020**
Sales – direct-to-consumer	$ 1,902	$ 1,628	$ 4,665	$ 5,127	$ 13,322
Sales – retail	2,443	2,725	13,579	6,459	25,206
Sales – international	130	70	282	204	686
	$ 4,475	$ 4,423	$ 18,526	$ 11,790	$ 39,214

Fiscal 2019	**Quarters ended**				**Year ended**
(in thousands)	**30-Jun-18**	**30-Sep-18**	**31-Dec-18**	**31-Mar-19**	**31-Mar-19**
Sales – direct-to-consumer	$ 1,454	$ 1,154	$ 3,010	$ 2,473	$ 8,091
Sales – retail	2,254	7,376	9,136	6,101	24,867
Sales – international	35	46	795	532	1,408
	$ 3,743	$ 8,576	$ 12,941	$ 9,106	$ 34,366

In Fiscal 2020, revenue totaled $39.2 million, an increase of $4.8 million, or 14.1%, from Fiscal 2019. Sales to retailer customers for Fiscal 2020 totaled $25.2 million, up $339,000, or 1.4%, from the same period a year earlier, principally reflecting AeroGarden sales to the existing retailer web/internet channels of Amazon.com, and woot! and in store accounts of Macy's, as well as newly acquired retail accounts such as Meh.com and Wayfair. Direct-to-consumer revenue totaled $13.3 million in Fiscal 2020, as compared to $8.1 million in Fiscal 2019, principally reflecting our redesigned and better functioning website and our focus on advertising that drives sales brand awareness. International sales totaled $686,000, a decrease of $722,000, as we test international markets in the United Kingdom, France, Germany, Italy and Spain primarily through the Amazon platforms.

The following table presents our quarterly sales by product category, in U.S. dollars and as a percent of total net revenue, for Fiscal 2020 and Fiscal 2019.

Fiscal 2020	**Quarters ended**				**Year ended**
(in thousands)	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**	**31-Mar-20**	**31-Mar-20**
Product Revenue					
AeroGardens	$ 3,406	$ 3,403	$ 18,845	$ 9,070	$ 34,724
Seed pod kits and accessories	1,681	1,644	3,498	4,085	10,908
Discounts, allowances and other	(612)	(624)	(3,817)	(1,365)	(6,418)
Total	$ 4,475	$ 4,423	$ 18,526	$ 11,790	$ 39,214
% of Revenue					
AeroGardens	76.1%	76.9%	101.7%	76.9%	88.6%
Seed pod kits and accessories	37.6%	37.2%	18.9%	34.7%	27.8%
Discounts, allowances and other	(13.7)%	(14.1)%	(20.6)%	(11.6)%	(16.4)%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal 2019	**Quarters ended**				**Year ended**
(in thousands)	**30-Jun-18**	**30-Sep-18**	**31-Dec-18**	**31-Mar-19**	**31-Mar-19**
Product Revenue					
AeroGardens	$ 2,806	$ 9,885	$ 13,925	$ 7,490	$ 34,106
Seed pod kits and accessories	1,162	1,449	2,715	2,784	8,110
Discounts, allowances and other	(225)	(2,758)	(3,699)	(1,168)	(7,850)
Total	$ 3,743	$ 8,576	$ 12,941	$ 9,106	$ 34,366
% of Revenue					
AeroGardens	75.0%	115.2%	107.6%	82.2%	99.2%
Seed pod kits and accessories	31.0%	16.9%	21.0%	30.6%	23.6%
Discounts, allowances and other	(6.0)%	(32.1)%	(28.6)%	(12.8)%	(22.8)%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

AeroGarden unit revenue totaled $34.7 million in Fiscal 2020, up $618,000 from $34.1 million, or 1.8%, from a year ago, principally due to: (i) the increase in direct-to-consumer channel sales; (ii) the increased focus on advertising to drive sales and general brand awareness; and (iii) the increase in the retail channel sales. Sales of seed pod kits and accessories increased by $2.8 million, or 34.5%, resulting from an overall increase in brand awareness and growth of the existing customer base. In Fiscal 2020, sales of seed pod kits and accessories represented 27.8% of our total net revenue, an increase from 23.6% in the prior fiscal year, reflecting the expansion of AeroGarden sales in retail markets. Discounts, allowances and other revenue (expense), which is comprised of items that are not specifically identifiable to a product, such as grow club revenue, shipping revenue, accruals and deductions, decreased as a percentage of total revenue from (22.8)% in Fiscal 2019 to (16.4)% in Fiscal 2020 due to decreases in revenue deductions for potential returns, sales allowances and discounts.

Cost of Revenue

Cost of revenue for Fiscal 2020 totaled $25.2 million, a 12.5% increase from the prior fiscal year. Cost of revenue includes product costs for purchased and manufactured products, freight costs for inbound freight from manufacturers and outbound freight to customers, costs related to warehousing, credit card processing fees for direct sales, and duties and customs applicable to imported products. The dollar amount of cost of revenue increased in conjunction with the 14.1% increase in total sales, along with increased supply chain costs. As a percent of total revenue, cost of revenue was 64.2% in Fiscal 2020, as compared to 65.2% in the year earlier period. The decrease in costs as a percent of revenue resulted from:

- Revenue mix shift to some higher margin customers from some lower margin retail customers, along with reductions in certain product costs; and
- Reductions in operating costs for orders as we focused on optimization of quantity and capacity of moving goods.

The decrease in cost of revenues, as a percent of revenue, was partially offset by increases in:

- Certain supply chain costs such as domestic and international shipping;
- The cost of product storage in several domestic and international locations and changes to the warehouses to position us for long-term growth.

Gross Margin

Our gross margin varies based upon the factors affecting net revenue and cost of revenue as discussed above, as well as the mix of our revenue from high- and low-margin customers. In a direct-to-consumer sale, we recognize as revenue the full consumer purchase price for the product. In retail and international sales, by comparison, we recognize as revenue the wholesale price for the product which we charge to the retailer or international distributor, with fluctuations attributable to the mix of on-line and brick and mortar customers. Gross margins also vary based on specific products, as well as the maturity and size of the customer relationship. Media costs associated with direct sales are included in sales and marketing costs. Overall, the gross margin for Fiscal 2020 was 35.8% as compared to 34.8% in the prior year. The increase in our gross margin was primarily attributable to decreases in product costs, and increases in the revenue mix attributable to better margin customers, partially offset by increased supply chain expenses, one-time fees related to establishing new retail customers and inventory storage and order processing costs.

Research and Development

Research and development costs totaled $877,000 for Fiscal 2020, an increase of $287,000, or 48.6% from the prior fiscal year. Research and development costs are comprised of payroll, travel and other costs associated with (i) development of new AeroGarden models and technologies; (ii) our plant laboratories that research new plant varieties and growing technologies; (iii) new technologies, such as improved lighting and nutrient formulation; and (iv) costs to enhance the performance of our products. Our research and development spending increased in Fiscal 2020, particularly related to the addition of full-time employees to expedite our new product development process, the company-wide incentive program, market research, new product and prototype development, (which we anticipate introducing in the next fiscal year), testing certifications, and the termination of a collaboration expense offset program with Scotts Miracle-Gro.

Sales and Marketing

Sales and marketing costs for Fiscal 2020 totaled $8.9 million, an increase of $390,000, or 4.6%, from the prior fiscal year. Sales and marketing costs include all costs associated with the marketing, sales, operations, customer support, and sales order processing for our products. The following table breaks down the components of our sales and marketing costs for Fiscal 2020 and Fiscal 2019:

	Fiscal Years Ended March 31,	
	2020	2019
(in thousands)		
Advertising	$ 4,994	$ 4,084
Salaries and related expenses	2,172	2,200
Sales commissions	81	83
Trade shows	14	52
Travel	235	238
Media production and promotional products	75	80
Quality control and processing fees	206	240
General brand marketing	364	788
Other	711	697
Total	$ 8,852	$ 8,462

Advertising is principally composed of the costs of developing and airing our commercials, the costs of development, production, printing, and postage for our catalogues, and mailing and web media costs for search and affiliate web marketing programs and retail support placement. Each of these are key components of our integrated marketing strategy because they help build awareness of, and consumer demand for, our products in all our channels of distribution (retail and direct-to-consumer). Advertising expense totaled $5.0 million for Fiscal 2020, a year-over-year increase of 22.3%, or $910,000, primarily because of our increased use of more measurable pay-per-click advertising, including general television, YouTube, Facebook and other general media advertising.

Sales and marketing personnel costs include salaries, payroll taxes, employee benefits and other payroll costs for our sales, operations, customer service, graphics and marketing departments. Personnel costs for sales and marketing in Fiscal 2020 were $2.2 million, relatively flat from Fiscal 2019 levels.

Sales commissions, which generally include 1-7% of cash collections from some of our retailer customers, are paid to third-party sales representatives that assist us in developing and maintaining relationships with certain retailers. Sales commission expense totaled $81,000 for the fiscal year ended March 31, 2020, a decrease of 1.6% from the prior fiscal year as a result of lower overall sales to customers represented by third-party sales representatives.

Other marketing expenses decreased $410,000, or 27.7%, year-over-year primarily as a result of decreases in a variety of other marketing initiatives, including direct marketing consulting with several retailers, general marketing programs to develop brand recognition and understand target market customers, changes in overall promotional programs, market research and retailer marketing programs, and use of contractors to help drive sales.

General and Administrative

General and administrative expense for the fiscal year ended March 31, 2020 totaled $4.0 million, an increase of 37.0% or $1.1 million, as compared to the prior year. This increase was principally due to increases in payroll-related expenses, including incentive programs, salaries, bonuses and employee benefits, consulting and legal fees associated with investments in credit card security, web hosting, electronic data processing, network consulting and software troubleshooting fees, office rent relating to new accounting guidance on leases and relocation of the corporate headquarters, and estimates for the allowance for bad debt and depreciation.

Operating Income and Loss

The income from operations totaled $308,000 in Fiscal 2020, an increase of $301,000, or 4,525.8%, from the prior year, primarily as a result of an increase in revenue, gross profit and gross margin, partially offset by increases in specific advertising programs and general television, YouTube, Facebook and other general media advertising.

Other Income and Expense

Other expense for Fiscal 2020 totaled $251,000, as compared to other expense of $297,000 in the prior year, primarily due to lower borrowings and interest payments under the Term Loan with Scotts Miracle-Gro.

Net Loss

Our net income for Fiscal 2020 was $57,000, a $348,000 improvement over our net loss of $291,000 in Fiscal 2019, primarily attributable to increased sales volumes and an increase in operating margins, as we continued to refine our selling strategy, partially offset by increased operating expenses.

Segment Results

We report our segment information in the same way that management assesses the business and makes decisions regarding the allocations of resources in accordance with the Segment Reporting Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC). We have two reportable segments. Retail and Direct-to-Consumer. Factors considered in determining our Reportable Segments include the nature of the business activities, the reports provided to the Company's chief operating decision maker (CODM) for operating and administrative activities, available information and information that is presented to our Board of Directors.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over the performance assessment and resource allocation decisions. The CODM regularly receives discrete financial information about each Reportable Segment. The CODM uses all such information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources based upon the contribution margins of each segment.

We divide our business into two reportable segments: Direct-to-Consumer and Retail. This division of reportable segments is consistent with how the segments report to and are managed by the chief operating decision maker of the Company. The Company evaluates performance based on the primary financial measure of contribution margin ("segment profit"). Segment profit reflects the income or loss from operations before corporate expenses, non-operating income, net interest expense, and income taxes.

	Fiscal Year Ended March 31, 2020			
(in thousands)	Direct-to-consumer	Retail	Corporate/Other	Consolidated
Net sales	$ 13,322	$ 25,892	$ -	$ 39,214
Cost of revenue	8,537	16,648	-	25,185
Gross profit	4,785	9,244	-	14,029
Gross profit percentage	35.9%	35.7%	-	35.8%
Sales and marketing (1)	1,376	3,302	1,480	6,158
Segment profit	3,409	5,942	(1,480)	7,871
Segment profit percentage	25.6%	22.9%	-	20.1%

(1) Sales and marketing includes advertising, trade shows, media production and promotional products, general brand marketing and other as discussed in the sales and marketing section.

	Fiscal Year Ended March 31, 2019			
(in thousands)	Direct-to-consumer	Retail	Corporate/Other	Consolidated
Net sales	$ 8,091	$ 26,275	$ -	$ 34,366
Cost of revenue	5,737	16,658	-	22,395
Gross profit	2,354	9,617	-	11,971
Gross profit percentage	29.1%	36.6%	-	34.8%
Sales and marketing (1)	802	3,575	1,324	5,701
Segment profit	1,552	6,042	(1,324)	6,270
Segment profit percentage	19.2%	23.0%	-	18.2%

(1) Sales and marketing includes advertising, trade shows, media production and promotional products, general brand marketing and other as discussed in the sales and marketing section.

Liquidity and Capital Resources

After adjusting the net income for non-cash items and changes in operating assets and liabilities, net cash provided by operating activities totaled $7.1 million in Fiscal 2020, as compared to net cash used by operating activities of $4.8 million in the prior fiscal year.

Non-cash items, consisting of depreciation, amortization, bad debt allowances, accretion of debt association with sale of intellectual property, and changes in inventory allowances totaled a net loss of $1.1 million in Fiscal 2020, as compared to a net loss of $520,000 in the prior fiscal year.

Changes in current assets provided cash of $3.2 million during Fiscal 2020, primarily due to decreases in accounts receivable and inventory, partially offset by an increase in other current assets. In Fiscal 2019, changes in these assets used $4.2 million, reflecting increases in accounts receivable and inventory, partially offset by a decrease in other current assets. As of March 31, 2020, the inventory balance was $4.8 million, representing approximately 70 days of sales activity during Fiscal 2020. Net accounts receivable totaled $3.4 million as of March 31, 2020, representing approximately 46 days of net retail sales activity at the average daily rate of sales recognized during Fiscal 2020. The days of sales in receivables and inventory calculations can fluctuate, and are greatly impacted by our seasonality and the timing of sales and inventory receipts during the period.

Current operating liabilities increased $2.9 million during Fiscal 2020, because of a $3.0 million increase in accounts payable and accrued liabilities. In the prior year period, current operating liabilities decreased $864,000 primarily due to increases in accounts payable and accrued liabilities, including accrued interest and customer deposits. Accounts payable as of March 31, 2020 totaled $4.7 million, representing approximately 44 days of daily expense activity at the average daily rate of expenses incurred during Fiscal 2020.

Net investment activity used $862,000 of cash, primarily due to purchases of equipment to manufacture our new products, as compared to cash used of $854,000 in the prior year.

Net financing activity, including the borrowing and repayment of debt, provided cash of $857,000 during Fiscal 2020, as compared to cash used of $21,000 in the prior fiscal year.

As of March 31, 2020, we had a cash balance of $9.1 million, of which $15,000 was restricted as collateral for our various corporate obligations. This compares to a cash balance of $1.8 million as of March 31, 2019, of which $15,000 was restricted.

As of March 31, 2020 and March 31, 2019, the outstanding balance of our debt is as follows:

	For the Fiscal Years Ended March 31,	
	2020	2019
(in thousands)		
Notes payable and debt-related party	$ 915	$ -
Sale of intellectual property liability (see Note 3)	24	48
Total debt	939	48
Less current portion	39	25
Long term debt	$ 900	$ 23

As of March 31, 2020, we have $900,000 of debt requiring cash payments. The remaining debt in the current liability is related to the Scotts Miracle-Gro transaction, for further information see Note 3 to our financial statements.

We use, or have used, a variety of debt funding sources to meet our liquidity requirements, including the following:

Borrowing Agreements

During Fiscal 2020, we entered into a Working Capital Term Loan Agreement in the principal amount of up to $10.0 million with Scotts Miracle-Gro and Real Estate Term Loan of up to $1.5 million. As of March 31, 2020, the outstanding balance of our note payable and debt, including accrued interest, was $900,000 as discussed in more detail in Note 2.

Cash Requirements

We generally require cash to:

- fund our operations and working capital requirements,
- develop and execute our product development and market introduction plans,
- execute our sales and marketing plans,
- fund research and development efforts, and
- pay debt obligations as they come due.

At this time, we do not expect to enter into additional capital leases to finance major purchases. In addition, we do not currently have any binding commitments with third parties to obtain any material amount of equity or debt financing other than the financing arrangements described in this report.

Assessment of Future Liquidity and Results of Operations

Liquidity

To assess our ability to fund ongoing operating requirements, we developed assumptions regarding operating cash flow. Critical sources of funding, and key assumptions and areas of uncertainty include:

- our cash of $9.1 million ($15,000 of which is restricted as collateral for our various corporate obligations) as of March 31, 2020;
- our cash of $10.3 million, ($15,000 of which is restricted as collateral for our various corporate obligations) as of June 15, 2020;
- continued support of, and extensions of credit by, our suppliers and previous lenders, including Scotts Miracle-Gro;
- our historical pattern of increased sales between September and March, and lower sales volume from April through August;
- the level of spending necessary to support our planned initiatives; and
- our sales to consumers, retailers, and international distributors, and the resulting cash flow from operations, which will depend in great measure on acceptance of our products by retail distribution customers and the success of planned direct-to-consumer sales initiatives.

During Fiscal 2020 we took a number of actions to address our liquidity needs. Most importantly, we concentrated on increasing our margin by eliminating some production costs despite a shipping related problem in our domestic and international channels. Specifically, we utilized more targeted pay-per-click advertising along with general brand awareness marketing and strategically expanded sales to major retailers that have proven to be the best and most profitable business partners.

In first quarter of Fiscal 2020, the Company entered into a Term Loan Agreement in the principal amount of up to $10.0 million with Scotts Miracle-Gro with a maturity date of March 31, 2020. The Term Loan Agreement was secured by a lien on the assets of the Company. Interest was charged at the stated rate of 10% per annum. The funding provided general working capital and was used for the purpose of acquiring inventory to support our expansion into retail and its direct-to-consumer sales channels in advance of our peak selling season. The principal and accrued interest on the Term Loan were repaid in full during the fourth quarter of Fiscal 2020.

Based on these facts and assumptions, we believe our existing cash and cash equivalents, along with the cash generated by our anticipated results from operations, will be sufficient to meet our needs for the next twelve months from the filing date of this report based on current cash on hand and financing from Scotts Miracle-Gro similar to the last few years. However, we may need to seek additional debt or equity capital to provide a cash reserve against contingencies, address the seasonal nature of our working capital needs, and to purchase inventory and incur other expenses in an attempt to increase the scale of our business. There can be no assurance we will be able to raise this additional capital.

Results of Operations

There are several factors that could affect our future results of operations. These factors include, but are not limited to, the following:

- the effectiveness of our consumer marketing efforts in generating both direct-to-consumer sales, and sales to consumers by our retailer customers;
- uncertainty regarding the impact of macroeconomic conditions on consumer spending;
- uncertainty regarding the capital markets and our access to sufficient capital to support our current and projected scale of operations;
- the seasonality of our business, in which we have historically experienced higher sales volume during the fall and winter months (September through March);
- a continued, uninterrupted supply of product from our third-party manufacturing suppliers in China; and
- the success of the Scotts Miracle-Gro relationship.

Off-Balance Sheet Arrangements

We do not have current commitments under capital leases and have not entered into any contracts for financial derivative such as futures, swaps, and options other than those disclosed in this Annual Report.

Obligations and Commitments

As part of our ongoing operations, we enter into arrangements that obligate us to make future payments under contracts, such as leases and the timing and effect that such commitments are expected to have on our liquidity and cash flow in future periods. The following is a summary of these obligations as of March 31, 2020.

(in thousands)	Less than 1 year	1 -3 years	More than 3 years	Total
Capital leases	$ 30	$ -	$ -	$ 30
Operating leases	$ 185	$ 825	$ 755	$ 1,765
Totals:	$ 215	$ 825	$ 755	$ 1,795

See Note 2, Note 3 and Note 7 to our financial statements for additional information related to our notes payable and long term debt and operating leases, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our interest income is most sensitive to fluctuations in the general level of U.S. interest rates. As such, changes in U.S. interest rates affect the interest earned on our cash, cash equivalents, and the value of those. Due to the short-term nature of our cash equivalents, we have concluded that a change in interest rates does not pose a material market risk to us with respect to our interest income. However, as discussed above, if we acquire additional debt changes in the general level of market interest rates could impact our interest expense during the terms of future debt arrangements. In this regard, interest on our Term Loan with Scotts Miracle-Gro was charged at the stated rate of 10% per annum.

Foreign Currency Exchange Risk

We transact business primarily in U.S. currency. Although we purchase our products in U.S. dollars, the prices charged by our suppliers in Asia are predicated upon their cost for components, labor and overhead. Therefore, changes in the valuation of the U.S. dollar in relation to the Asian currencies may cause our manufacturers to raise prices of our products which could reduce our profit margins.

In future periods, it is possible that we could be exposed to fluctuations in foreign currency exchange rates on accounts receivable from sales and net monetary assets denominated in foreign currencies and liabilities. To date, however, virtually all of our transactions have been denominated in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS

Our financial statements appear in a separate section at the end of this Annual Report. Such information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

We conducted an evaluation under the supervision and with the participation of our management team, including our Chief Executive Officer and Senior Vice President, Finance and Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on our assessment, management has concluded that, as of March 31, 2020, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission's Internal Control-Integrated Framework (2013).

Based on our assessment, management has concluded that, as of March 31, 2020, our internal control over financial reporting was effective based on those criteria.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f), promulgated under the Securities Exchange Act of 1934, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of the assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failure. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal year ended March 31, 2020 that have or are reasonably likely to materially affect our internal control over financial reporting identified in connection with the previously mentioned evaluation.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers

The following sets forth certain information with respect to our executive officers and significant employees, as of the filing date of this report. The executive officers have employment contracts with the Company as discussed in Item 11 below. All other employees are considered at-will.

Name	Age	Position with AeroGrow
J. Michael Wolfe	61	President and Chief Executive Officer
Grey H. Gibbs	53	SVP – Finance and Administration
John K. Thompson	59	EVP, Sales & Marketing and Secretary

J. Michael Wolfe, age 61, 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. The Board believes that Mr. Wolfe's leadership experience, combined with his extensive direct-to-consumer marketing background, his executive experience at a variety of direct-to-consumer companies, and his knowledge of AeroGrow's history and business, qualifies him to serve as President and Chief Executive Officer.

Grey H. Gibbs, age 53, 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, age 59, 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.

Board of Directors

Our Board of Directors oversees the management of AeroGrow on your behalf. Among other things, the Board reviews our long-term strategic plans and exercises direct decision-making authority on key issues, including the appointment of our executive officers and setting the scope of their authority in managing AeroGrow's day-to-day operations. Our Board is currently comprised of Chris Hagedorn (Chairman), H. MacGregor Clarke, David B. Kent, Cory J. Miller and Patricia M. Ziegler. Messrs. Hagedorn, Miller and Ms. Ziegler are representatives of Scotts Miracle-Gro. Biographical information for Messrs. Hagedorn, Clarke, Kent, Miller and Ms. Ziegler is presented below, along with Albert Messina and Peter Supron, who served as Board members during Fiscal 2020, prior to their resignation in April 2019.

H. MacGregor Clarke, age 59, has been a director since April 2019 and previously served as a director from July 2009 to March 2013. Mr. Clarke has served as Senior Vice President and Chief Financial Officer of Johns Manville, a Berkshire Hathaway company, since March 2013 and previously served as AeroGrow's 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, a management consulting and investment banking firm serving the building and construction industry. At FMI Corporation, 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, age 35, 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 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 between AeroGrow and Scotts Miracle-Gro which allowed Scotts Miracle-Gro, as holder of the Series B Preferred Convertible Stock, to appoint one member to the Board of Directors for so long as the convertible stock remained outstanding. For more details regarding the Securities Purchase Agreement, the Series B Preferred Stock, the Warrant, and related agreements, refer to Note 3. "Scotts Miracle-Gro Transactions – Convertible Preferred Stock, Warrants and Other Transactions" to our financial statements. 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, age 61, 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 CEO of the Wine Group LLC from 2000 to 2012. The Board believes that Mr. Kent's extensive experience in marketing, retail and brand building, among other factors, qualifies him to serve as a director.

Cory J. Miller, age 46, has been a director since April 2020. Cory Miller joined the AeroGrow Board in 2020 and is currently the Vice President of Finance & Information Technology at The Hawthorne Gardening Company. The Hawthorne Gardening Company is a whole-owned subsidiary of the Scotts Miracle-Gro Company. Cory began his career at Scotts Miracle-Gro in 2000 and has held several roles of increasing responsibility. Previous leadership roles at Scotts include VP of Finance, Merger & Acquisition Integration; VP of Finance, Chief Internal Auditor; VP of Finance, Sales; and VP of Finance, Marketing. Prior to joining Scotts, 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, age 55, has been a director since April 2020. Patti Ziegler joined the AeroGrow 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.

Former Board Members

As stated above, Albert Messina and Peter Supron, who served as Board members during Fiscal 2020 prior to their resignation in April 2019.

Albert (Bert) Messina, age 51, served as a director from November 2016 to April 2020. Mr. Messina has served in various senior managerial roles at the Hawthorne Gardening Company, a whole-owned subsidiary of the Scotts Miracle-Gro Company, since 2014. He previously served as Finance and Strategy Lead at Hawthorne from 2014-2019. From 2012 to 2013, Mr. Messina served as a Senior Director of Strategy & Development for Source Interlink Media. Prior to that, Mr. Messina served as a Managing Director for DeSilva & Phillips Investment Bank.

Peter Supron, age 51, served as a director from November 2016 to April 2020. Mr. Supron currently serves as Chief of Staff to the President and Chief Operating officer of Scotts Miracle-Gro. In this role, Mr. Supron partners with the business units in strategy development and has played a key role in Scotts Miracle-Gro's entry into the Internet of Things market for lawn & garden, as well as Scotts Miracle Gro's entry into the direct-to-consumer space. Previously, Peter led Scott Miracle-Gro's corporate strategy & mergers & acquisitions function, its procurement team, as well has held various roles in finance.

Board Committees and Meetings

We have established two standing committees so that certain matters can be addressed in more depth than may be possible in a full Board meeting: an Audit Committee and a Governance, Compensation and Nominating Committee. The two committees each operate under a written charter.

Audit Committee. The current members of our Audit Committee are Messrs. Clarke (chairman), Hagedorn and Miller. Mr. Messina, who resigned from the Board in April 2019, served as a member of the committee during Fiscal 2019 and the first month of Fiscal 2020. The members were elected to the committee, and the chairman was appointed by the Board. The Board has determined that Mr. Clarke is considered an "audit committee financial expert," as defined by Item 407(d)(5)(ii) of Regulation S-K, due to his extensive financial background and experience (as summarized in the biographical information for Mr. Clarke disclosed above). The Board has affirmatively determined that Mr. Clarke is an independent director as defined by applicable securities law and NASDAQ corporate governance guidelines. Due to their positions as representatives of Scotts Miracle-Gro, the Company's most significant stockholder, Messrs. Hagedorn and Miller and Ms. Ziegler are not independent directors. The Audit Committee's charter provides that the committee shall:

- oversee the accounting and financial reporting processes and audits of the financial statements;
- assist the Board with oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditors' qualifications and independence, and the performance of the independent auditors; and
- provide the Board with the results of its monitoring.

Governance, Compensation and Nominating Committee. The current members of the Governance, Compensation and Nominating Committee are Ms. Ziegler (chairman), Messrs. Kent and Hagedorn. Mr. Supron, who resigned from the Board in April 2019, served as chairman of the committee during Fiscal 2019 and the first month of Fiscal 2020. The members were elected to the committee, and the chairman was appointed, by the Board. The Governance, Compensation and Nominating Committee's charter provides that the committee shall:

- recommend to the Board the corporate governance guidelines to be followed;
- review and recommend the nomination of Board members;
- set the compensation for the chief executive officer and other officers; and
- administer the equity-based performance compensation plans of AeroGrow.

The Governance, Compensation and Nominating Committee does not have a formal policy concerning stockholder recommendations to the Board of Directors and we did not receive any recommendations from stockholders requesting that the Board consider a candidate for inclusion as a nominee. The Committee has determined that it is appropriate to not have such a policy given the infrequency of such recommendations. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received. The Committee would consider any candidate proposed in good faith by a stockholder on the same basis as a candidate proposed directly by the Board. To do so, a stockholder should send the candidate's name, credentials, contact information, and the candidate's consent to be considered to the Governance, Compensation and Nominating Committee, c/o Corporate Secretary, AeroGrow International, Inc., 5405 Spine Rd., Boulder, Colorado, 80301. The proposal should be received by the due date for a stockholder proposal, as set forth below under the caption heading "Submission of Stockholder Proposals," in order to be considered timely for consideration by the Committee prior to the Annual Meeting of Stockholders or, in lieu of an annual meeting, for an action by written consent of the stockholders. The proposing stockholder should also include his or her contact information and a statement of his or her share ownership (how many shares owned and for how long).

In evaluating director nominees, the Governance, Compensation and Nominating Committee considers the appropriate skills and personal characteristics needed in light of the makeup of the current Board, including considerations of character, background, professional experience, education, skill, qualifications for committee membership, independence, race, gender, national origin, differences in viewpoint, and other individual qualities and attributes. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Committee may also consider such other factors as it may deem are in the best interests of the AeroGrow and its stockholders. The Committee does, however, believe it is appropriate for a member or members of AeroGrow's management to participate as members of the Committee.

The Governance, Compensation and Nominating Committee identify nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Committee then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board would be polled for suggestions as to individuals meeting the criteria described above. The Committee may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third-party search firm, if appropriate.

Meetings. During Fiscal 2020 the Board held eight meetings. A quorum of directors attended all of the meetings held by the Board during the period that each person served as a director of AeroGrow. Also during Fiscal 2020, the Audit Committee held four meetings and the Governance, Compensation and Nominating Committee held two meetings. Each director attended, either in person or by telephone conference, at least 75% of the Board and committee meetings held while serving as a director or committee member in Fiscal 2020.

The Company encourages all incumbent directors, as well as all nominees for election as director, to attend the annual stockholder meetings, but they are not required to do so. We did not hold an annual meeting last year.

Code of Ethics

The Board of Directors has adopted a Code of Ethics to provide guidance to all of our directors, officers and employees, including our principal executive officer, principal financial and accounting officers, and persons performing similar functions. The Code of Ethics is posted on our website at www.aerogrow.com, and may be found by linking to "Investors" and then "Code of Ethics." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website.

Board Structure and Risk Oversight

Chris Hagedorn serves as Chairman of the Board. Scotts Miracle-Gro is the largest investor in AeroGrow and its financial support was instrumental in allowing AeroGrow to persevere through a very difficult economic period. Messrs. Hagedorn, Messina and Supron were representatives of Scotts Miracle-Gro and they are involved in setting the strategic direction for the Company.

Our Board has overall responsibility for risk oversight. Throughout the year, the Board dedicates a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic and operational risks are presented and discussed in the context of the President's report on operations to the Board at regularly scheduled board meetings and at presentations to the Board by our other employees and consultants. The Board's risk oversight process builds upon management's risk assessment and mitigation processes. The small size of AeroGrow allows our Board to develop in-depth knowledge of different facets of the business. This in-depth knowledge, coupled with exposure to and frequent communication with our management, assists the Board in performing its oversight responsibilities, including risk management, in an effective manner.

Communications with the Board of Directors

Stockholders and other interested parties may communicate with the Board or any individual director, by writing to:

AeroGrow International, Inc.
Attention: Board of Directors
c/o Corporate Secretary
5405 Spine Rd.
Boulder, Colorado 80301

If the letter is from a stockholder, the letter should state that the sender is a stockholder. Under a process approved by the Board, depending on the subject matter, management will:

- forward the letter to the director or directors to whom it is addressed; or
- attempt to handle the matter directly (as where information about our business or our stock is requested); or
- not forward the letter if it is primarily commercial in nature or relates to an improper or irrelevant topic.

A summary of all relevant communications that are received after the last meeting of the full Board and which are not forwarded will be presented at each Board meeting along with any specific communication requested by a director.

All communications will be handled in a confidential manner, to the degree the law allows. Communications may be made on an anonymous basis; however, in these cases the reporting individual must provide sufficient details for the matter to be reviewed and resolved. The Company will not tolerate any retaliation against an employee who makes a good faith report.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires our executive officers and directors, and persons who own more than 10% of our common stock (herein collectively, our "Section 16 insiders") to file with the SEC certain forms reporting their ownership and changes in beneficial ownership of our common stock and other equity with the SEC, and to furnish us with copies of these filings.

To our knowledge, based solely upon a review of the copies of such forms furnished to us and written representations that no other reports were required, we believe that, during the fiscal year ended March 31, 2020, all such filings required to be made by our Section 16 insiders were timely filed in accordance with the requirements of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Philosophy

The Governance, Compensation and Nominating Committee of our Board is responsible for guiding and overseeing the formulation and application of the compensation and benefit programs for our executive officers and our directors. A description of compensation for our non-employee directors is included below under the caption "Director Compensation." The Committee acts pursuant to a charter that has been approved by our Board.

The Governance, Compensation and Nominating Committee believes that the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term, and strategic goals by AeroGrow, and which aligns executives' interests with those of the stockholders by rewarding performance above established goals, with the ultimate objective of increasing stockholder value. The Governance, Compensation and Nominating Committee evaluates both performance and compensation to ensure that AeroGrow maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. Accordingly, the Governance, Compensation and Nominating Committee believes executive compensation packages provided by AeroGrow to its executives, including the executive officers, should include salary compensation and annual cash incentives based on the Company's ability to pay and fundamental measures of financial performance.

We compensate our executives through a mix of base salary and bonus compensation designed to be competitive with comparable employers and to align management's incentives with the long-term interests of our stockholders. We have not utilized equity compensation since our 2005 Equity Compensation Plan expired in Fiscal 2016. In making compensation decisions, the Governance, Compensation and Nominating Committee, may compare certain elements of total compensation against other comparable publicly traded and privately held companies that compete in our markets. A significant percentage of total compensation is allocated to incentive compensation as a result of the philosophy mentioned above. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Governance, Compensation and Nominating Committee reviews information such as that referenced above with respect to our peers and our major shareholder, SMG, Scotts Miracle-Gro, to determine the appropriate level and mix of incentive compensation. Income from such incentive compensation is realized as a result of the performance of AeroGrow or the individual, depending on the type of award.

Compensation Process

Generally, base salaries and annual incentive awards will be reviewed at the end of each fiscal year with changes made to the base salaries effective April 1 of the following fiscal year. Whether an individual's salary and incentive awards are increased or decreased depends on the individual's performance as well as the overall performance of AeroGrow.

Although we have not issued stock options and other stock grants in the last several fiscal years, such equity grants are reviewed and approved at meetings of the Governance, Compensation and Nominating Committee and the full Board. By establishing the meeting schedule and agenda for these grants in advance, AeroGrow diminishes any opportunity for manipulation of exercise prices on option grants to the extent any recipients are in possession of non-public information at the time of the meetings. Approval of grants for any newly hired or promoted executives during the course of the year generally occurs at the Governance, Compensation and Nominating Committee's meeting immediately following the hiring or promotion.

Role of Executive Officers in Compensation Decisions

The Governance, Compensation and Nominating Committee make all compensation decisions for the executive officers and approve recommendations regarding equity awards to all elected officers. The Chief Executive Officer annually reviews the performance of each Named Executive Officer (other than the Chief Executive Officer, whose performance is reviewed by disinterested members of the Governance, Compensation and Nominating Committee). As a "smaller reporting company," our "Named Executive Officers" include our (i) Chief Executive Officer; and (ii) other two most highly compensated executive officers based on SEC regulations. Compensation ranges for our Named Executive Officers are based on the individual's experience and prior performance, as well as AeroGrow's operating performance. The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the Governance, Compensation and Nominating Committee. The Governance, Compensation and Nominating Committee can exercise its discretion in modifying any recommended adjustments or awards to executives.

Components of Total Compensation

In Fiscal 2020, the principal components of compensation for executive officers were:

- base salary;
- performance-based annual incentive awards (cash bonuses); and
- benefits and other perquisites.

Each component is designed to achieve a specific purpose and to contribute to a total package that is competitive, appropriately performance-based, and valued by AeroGrow's executives. Although we did not issue stock options in Fiscal 2020, we have utilized equity compensation in prior years and may again in the future.

Base Salaries

We provide executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for executive officers are determined for each executive based on his or her position and responsibility. During its review of base salaries for executives, the Governance, Compensation and Nominating Committee primarily considers:

- individual scope of responsibility;
- years of experience;
- market data, such as that obtained from a review of other similarly situated companies;
- internal review of the executive's compensation, both individually and relative to other officers; and
- individual performance of the executive.

Salary levels are typically considered annually as part of our performance review process as well as upon a promotion or other change in job responsibility.

Performance-Based Annual Incentive Compensation

Though markets dictate that base salaries must be competitive, we are moving toward basing a greater proportion of our executive compensation on the achievement of measurable individual and company results through the award of annual incentive bonuses. These bonuses are often tied to performance against AeroGrow's sales growth and EBIT objectives. By increasing variable pay as a percentage of total compensation, the Governance, Compensation and Nominating Committee believes that executive compensation will be more aligned with value delivered to our stockholders. This limits fixed costs and also results in higher pay occurring only in years when merited by high performance. Due to company-wide improvements on sales and operations, we paid an aggregate of $30,000 in discretionary cash bonuses to our Named Executive Officers in Fiscal 2020. We accrued $194,000 in performance-based bonuses during Fiscal 2020 for payments that are to be paid to our Named Executive Officers during Fiscal 2021.

Long Term Stock-Based Compensation

This category of awards covers options granted to executives out of equity plans, and that vest over time, at different rates for different executives. Although we did not issue stock options in Fiscal 2020, we have utilized equity compensation in prior years and may again in the future. Because these awards vest over time and become more valuable to the recipient only as our stock price increases, the Governance, Compensation and Nominating Committee believes these are a useful form of long-term incentive compensation, with the potential to directly align the interests of shareholders and management. During Fiscal 2020, we granted options to purchase 0 shares of common stock. For more details about outstanding stock options held by our Named Executive Officers, please refer to the table below entitled "Outstanding Equity Awards at Fiscal Year End."

At March 31, 2020, no options to purchase shares of our common stock were unvested. These options will result in $-0- of compensation expense.

Executives and Employment Arrangements

The following discussion and table relate to compensation arrangements on behalf of, and compensation paid by us during Fiscal 2020, to our Named Executive Officers who were employed by AeroGrow as of March 31, 2020.

Employment Contracts

We have employment agreements with J. Michael Wolfe and John K. Thompson.

J. Michael Wolfe

Effective as of March 4, 2012, AeroGrow and J. Michael Wolfe entered into an employment agreement (the "Wolfe Agreement") that provides that he will be employed as the Chief Executive Officer and must devote substantially all of his working time and efforts to our business. The Wolfe Agreement superseded and replaced a previous agreement between the parties dated as of February 9, 2009. The Wolfe Agreement has an initial one year term, with automatic one year renewals unless advance notice is given by either party. Pursuant to the Wolfe Agreement, Mr. Wolfe's annual base salary was set at $200,000 until September 2, 2012, at which time his annual base salary increased to $226,923. Beginning on April 1, 2013, and each April 1 thereafter, Mr. Wolfe's annual base salary will be increased by 3%, or such higher percentage as may be determined by our Board of Directors. During Fiscal 2020, Mr. Wolfe's annual base salary was $281,849. In addition, Mr. Wolfe will receive an automobile allowance of $750 per month during the term of the Wolfe Agreement. Mr. Wolfe is eligible to participate in our annual cash incentive compensation plan for senior managers and any equity compensation plans (if applicable), each as determined by the Board of Directors from time to time. The Wolfe Agreement also provides for medical, vacation, and other benefits commensurate with the policies and programs adopted by the Board of Directors for our senior executives. In the event that we terminate the employment of Mr. Wolfe without cause (as determined under the Wolfe Agreement), Mr. Wolfe 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. In the event that we breach any term of the Wolfe Agreement and such breach is not cured within thirty days of notice being given, then Mr. Wolfe can terminate his employment and be entitled to receive his base salary for 12 months following the date of termination, plus a prorated portion of his annual cash bonus. The Wolfe Agreement also requires Mr. Wolfe to comply with certain restrictive covenants including but not limited to a covenant not to compete during the term of the Wolfe Agreement and for a period of twelve months following the termination of the Wolfe Agreement.

John K. Thompson

Effective as of March 4, 2012, AeroGrow and John K. Thompson entered into an employment agreement (the "Thompson Agreement") that provides that he will be employed as the Senior Vice President, Sales and Marketing and must devote substantially all of his working time and efforts to our business. The Thompson Agreement superseded and replaced a previous agreement between the parties dated as of January 26, 2009. The Thompson Agreement has an initial one year term, with automatic one year renewals unless advance notice is given by either party. Pursuant to the Thompson Agreement, Mr. Thompson's annual base salary was set at $150,000 until September 2, 2012, at which time his annual base salary increased to $167,307. Beginning on April 1, 2013, and each April 1 thereafter, Mr. Thompson's annual base salary will be increased by 3%, or such higher percentage as may be determined by our Board of Directors. During Fiscal 2020, Mr. Thompson's annual base salary was $212,615. Mr. Thompson is eligible to participate in our annual cash incentive compensation plan for senior managers, and any equity compensation plans (if applicable), each as determined by the Board of Directors from time to time. The Thompson Agreement also provides for medical, vacation, and other benefits commensurate with the policies and programs adopted by the Board of Directors for our senior executives. In the event that we terminate the employment of Mr. Thompson without cause (as determined under the Thompson Agreement), then Mr. Thompson 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. In the event that we breach any term of the Thompson Agreement and such breach is not cured within thirty days of notice being given, then Mr. Thompson can terminate his employment and be entitled to receive his base salary for 12 months following the date of termination, plus a prorated portion of his annual cash bonus. The Thompson Agreement also requires Mr. Thompson to comply with certain restrictive covenants including but not limited to a covenant not to compete during the term of the Thompson Agreement and for a period of twelve months following the termination of the Thompson Agreement.

Other Company officers who do not qualify as Named Executive Officers are employed on an "at will" basis, subject to varying lengths of employment agreements and severance agreements.

Summary Compensation Table

The following table sets forth information regarding all forms of compensation received by the Named Executive Officers during Fiscal 2020 and Fiscal 2019:

Name and Principal Position	Fiscal Year	Salary Paid	Bonus	Stock Awards	Option Awards (1)	All Other Compensation	Total
J. Michael Wolfe, President and CEO	2020	$ 290,467 (1)	$ -	$ -	$ -	$ 9,000 (2)	$ 299,467
	2019	$ 281,849 (1)	$ 163,721	$ -	$ -	$ 9,375 (2)	$ 454,945
John K. Thompson, EVP, Sales and Marketing	2020	$ 220,000 (1)	$ 30,000	$ -	$ -	$ -	$ 250,000
	2019	$ 212,615 (1)	$ 88,392	$ -	$ -	$ -	$ 301,007
Grey H. Gibbs, SVP of Finance and Administration	2020	$ 172,201 (1)	$ 13,000	$ -	$ -	$ -	$ 185,201
	2019	$ 164,073 (1)	$ 57,920	$ -	$ -	$ -	$ 221,993

(1) Salaries are computed and disclosed on a cash basis. The executive officers did receive a pay increase in Fiscal 2020 (as determined by the employment agreements with respect to Messrs. Wolfe and Thompson).

(2) Beginning in March 2012, Mr. Wolfe was paid an automobile allowance of $750 per month in accordance with his employment agreement.

The Named Executive Officers have no unexercised stock options held by them at March 31, 2020. During the year ended March 31, 2020, no options granted to the Named Executive Officers were exercised.

Compensation Committee Interlocks and Insider Participation

Disclosure under this section is not required for a "smaller reporting company."

Report of the Compensation Committee

Disclosure under this section is not required for a "smaller reporting company."

Director Compensation

The following table provides information on AeroGrow's compensation practices during the fiscal year ended March 31, 2020 for non-employee directors:

Non-Employee Director Compensation Information

Annual retainer for all non-employee directors (paid in quarterly installments)	$	30,000
Stock options granted for annual service on the Board by non-employee directors (1)		-
Stock options granted for annual service on the Audit Committee (1)		-
Stock options granted for annual service on the Governance, Compensation, and Nominating Committee (1)		-
Additional stock options granted for annual service as Board Chairman (1)		-
Reimbursement for expenses attendant to Board membership		Yes

(1) The options vest pro-rata monthly (one-twelfth per month) on the last day of each month throughout the term of service. If a director is unable to finish his or her term of service by reason of death or disability, the director options vest immediately.

Only Messrs. Clarke, and Kent, received non-employee director compensation during the fiscal year ended March 31, 2020. Chris J. Hagedorn, a full-time employee of The Scotts Miracle-Gro Company, was appointed to the Board and to both committees of the Board in April 2013 and was appointed as Chairman of the Board in November 2016. Under the terms of the Scotts Miracle-Gro transaction, Mr. Hagedorn is not entitled to receive non-employee Board compensation. Albert Messina and Peter Supron were also appointed to the Board in November 2016 and continued to serve until each retired from the Board in April 2019. Under the terms of the Scotts Miracle-Gro transaction, Messrs. Messina and Supron were not entitled to receive non-employee Board compensation. We maintain $10 million of director and officer liability insurance and we have entered into indemnification agreements with each director

Summary of Board and Committee Composition

Current Directors	Board	Audit	Governance, Compensation, and Nominating
Chris J. Hagedorn, Chairman (1)	X	X	X
H. MacGregor Clarke (2)	X	X	
David B. Kent (2)	X		X
Cory J. Miller (3)	X	X	
Patricia M. Ziegler (3)	X		X
Albert Messina (4)	X	X	
Peter Supron (4)	X		X

(1) Chris J. Hagedorn was appointed to the Board and to both committees of the Board in April 2013 and was appointed as Chairman of the Board in November 2016, concurrently with Scotts Miracle-Gro's exercise of the warrant to purchase 80% of the Company's outstanding common stock.
(2) Messrs. Clarke and Kent were appointed to the Board on April 1, 2019.
(3) Mr. Miller and Ms. Ziegler were appointed to the Board on April 1, 2020.
(4) Messrs. Messina and Supron were appointed to the Board in November 2016, upon exercise of the warrant held by Scotts Miracle-Gro, and served until their respective resignations in April 2019.

Director Compensation Table during Fiscal 2020

The following table sets forth information regarding all forms of compensation received by members of our Board of Directors during Fiscal 2020:

Director	Director Fees Earned or Paid in Cash	Stock Awards	Option Awards (1)	Warrant Awards	All Other Compensation	Total
H. MacGregor Clarke, Director	$ 30,000	$ -	$ -	$ -	$ -	$ 30,000
David B. Kent, Director	$ 30,000	$ -	$ -	$ -	$ -	$ 30,000
Chris J. Hagedorn, Chairman (2)	$ -	$ -	$ -	$ -	$ -	$ -
Cory J. Miller, Director (2)	$ -	$ -	$ -	$ -	$ -	$ -
Patricia M. Ziegler, Director (2)	$ -	$ -	$ -	$ -	$ -	$ -

(1) Represents the aggregate grant date fair value of stock option awards, as computed in accordance with FASB ASC Topic 718.
(2) As an employee of The Scotts Miracle-Gro Company, Messrs. Hagedorn, Miller and Ziegler did not receive compensation for their service on the Board of Directors.

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

Stock Ownership

The following table sets forth certain information as of June 15, 2020 regarding our common stock owned of record or known by the Company to be owned beneficially by: (i) each director, (ii) each executive officer named in the Summary Compensation Table (the "Named Executive Officers"), (iii) all those known by the Company to beneficially own more than 5% of the Company's common stock, and (iv) all directors and Named Executive Officers as a group.

In general, a person is deemed to be a "beneficial owner" of a security under SEC Rule 13d-3 if that person has or shares the power to vote or direct the voting of such security, or the power to dispose or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which the person has the right to acquire beneficial ownership within 60 days. To the best of our knowledge, subject to community and marital property laws, all persons named have sole voting and investment power with respect to such shares except as otherwise noted. For purposes of calculating percent of class ownership, the table below assumes a total of 34,328,036 shares of common stock outstanding. However, shares of our common stock subject to convertible preferred stock, warrants and stock options that are convertible or exercisable within 60 days of June 15, 2020 are deemed outstanding for purposes of computing the percentage ownership of the person holding such convertible preferred stock, warrants and stock options, but are not deemed outstanding for computing the percentage of any other person.

Name of Beneficial Owner	Number of Common Shares Beneficially Owned (1)	Number of Common Shares Acquirable Within 60 Days (2)	Percent Beneficial Ownership
5% Stockholders			
SMG Growing Media, Inc. (4), (6)	27,639,294	-	80.52%
Directors and Named Executive Officers			
H. MacGregor Clarke (3)	-	-	*
Chris J. Hagedorn (3) (5)	-	-	*
David B. Kent (3)	-	-	*
Cory T. Miller (3)	-	-	*
Patricia M. Ziegler (3)	-	-	*
J. Michael Wolfe (3)	106,790	-	*
Grey H. Gibbs (3)	-	-	*
John K. Thompson (3)	1,166	-	*
All AeroGrow Named Executive Officers and Directors as a Group (8 Persons)	**107,956**		*

* Represents less than 1% of our outstanding common stock as of June 15, 2020.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, which include holding voting and investment power with respect to the securities. Shares of common stock that are acquirable within 60 days, though conversion of preferred stock or exercise of options or warrants, are deemed outstanding for computing the percentage of the total number of shares beneficially owned by the designated person, but are not deemed outstanding for computing the percentage for any other person. Beneficial ownership is based on holdings known to the Company and may not include all shares of common stock beneficially owned but held in street name or reflect recent sales or purchases of securities that have not been made known to the Company.

(2) The number of shares acquirable within 60 days includes any shares issuable upon conversion of convertible preferred stock or upon exercise of options or warrants that are currently exercisable or exercisable within the next 60 days. This number is included in the number of shares beneficially owned.

(3) The address of the beneficial owner is 5405 Spine Rd., Boulder, CO 80301.

(4) Beneficial ownership is based on holdings known to the Company and includes information provided in a Schedule 13D filed with the SEC on August 30, 2019. SMG Growing Media, Inc. is a wholly-owned subsidiary of The Scotts Miracle-Gro. The address of SMG Growing Media, Inc. and The Scotts Miracle-Gro is 14111 Scottslawn Road, Marysville, Ohio 43041. The shares beneficially owned by SMG Growing Media, Inc. include shares of common stock that were issued on November 29, 2016 upon Scotts Miracle-Gro's exercise of the Warrant and conversion of all outstanding Series B Convertible Preferred Stock. For further information refer to Note 3, "Scotts Miracle-Gro Transactions – Convertible Preferred Stock, Warrants and Other Transactions" to our financial statements.

(5) Messrs. Hagedorn and Miller and Ms. Ziegler were elected to the Board by representative of SMG Growing Media, Inc. Mr. Hagedorn does not hold voting or investment power over the shares owned by SMG Growing Media, Inc. and therefore disclaims beneficial ownership over such shares.

(6) The number referenced as acquirable within 60 days assumes the issuance of shares in accordance with the Scotts Miracle-Gro agreements discussed above.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of March 31, 2020.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans	11,300	$ 1.55	12,531,422
Equity compensation plans not approved by security holders	-	$ -	-
Total	11,300	$ 1.55	12,531,422

At March 31, 2020 the Company has no unvested options, and no future compensation expense.

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

Certain Relationships and Related Transactions

Review, Approval or Ratification of Transactions with Related Parties

Since April 1, 2019, the beginning of Fiscal 2020, our Board of Directors reviewed and did not object to any of the related party transactions reported in this Annual Report on Form 10-K. Our Board recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore follows the procedures as described below to address such risks.

Our Board of Directors is required to review all related party transactions. AeroGrow is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Board. Additionally, in transactions where an executive officer is considered to be a related party of any provider of our goods or services, the Board of Directors must approve the transaction. In reviewing a related party transaction, the Board of Directors considers all of the relevant factors surrounding the transaction including:

- whether there is a valid business reason for us to enter into the related party transaction consistent with the best interests of AeroGrow and its stockholders;
- whether the transaction is negotiated on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally;
- whether the Board of Directors determines that it has been duly apprised of all significant conflicts that may exist or may otherwise arise on account of the transaction, and it believes, nonetheless, that we are warranted in entering into the related party transaction and have developed an appropriate plan to manage the potential conflicts of interest;
- whether the rates or charges involved in the transaction are determined by competitive bids, or the transaction involves rates or charges fixed in conformity with law or governmental authority; and/or
- whether the interest of the related party or that of a member of the immediate family of the related party arises solely from the ownership of our class of equity securities and all holders of our equity securities received the same benefit on a pro-rata basis.

During the fiscal year ended March 31, 2020, and in prior years, we relied upon a variety of debt funding sources to meet our liquidity requirements, including transactions that: (i) involved members of our Board, management team and certain stockholders that beneficially own more than five percent of our outstanding voting securities and (ii) are required to be disclosed pursuant to Item 404 of Regulation S-K. In each case, these related parties received the same terms and conditions as other third-party investors. These transactions are disclosed above under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation– Liquidity and Capital Resources" and in Note 2, "Notes Payable and Long Term Debt," Note 6 "Related Party Transactions," and Note 8 "Stockholders' Equity," to our financial statements.

Board Independence

Our common stock trades on the OTCQB market tier and we are considered to be a "smaller reporting company" under applicable SEC rules. As such, we are not currently subject to corporate governance standards of other listed companies, which require, among other things, that the majority of the Board of Directors be independent. Because we are not currently subject to corporate governance standards defining the independence of our directors, we have chosen to define an "independent" director in accordance with the NASDAQ Global Market's requirements for independent directors. Under the NASDAQ definition, an independent director is a person who is not an executive officer or employee of the Company and who does not have a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board has determined that Mr. Clarke and Mr. Kent are the only independent members of our Board of Directors during Fiscal 2020. Mr. Clarke served as the Chairman of the Audit Committee during Fiscal 2020.

Chris J. Hagedorn was initially appointed to the Board by Scotts Miracle-Gro pursuant to a condition to the Securities Purchase Agreement between AeroGrow and Scotts Miracle-Gro which allows Scotts Miracle-Gro, as holder of the Series B Preferred Stock, to appoint one member to the Board of Directors. Additionally, Albert Messina and Peter Supron were appointed to the Board on November 29, 2016 by Scotts Miracle-Gro after Scotts Miracle-Gro's exercise of, and pursuant to the terms of, the Warrant. Upon exercise of the Warrant, Scotts Miracle-Gro was entitled to appoint three of the five members of the Board (currently, Messrs. Hagedorn and Miller and Ms. Ziegler). For more details regarding the Securities Purchase Agreement, the Series B Preferred Stock, the Warrant, and related agreements, refer to Note 3, "Scotts Miracle-Gro Transactions – Convertible Preferred Stock, Warrants and Other Transactions" to our financial statements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees of the Independent Registered Public Accountants

Aggregate fees billed by Plante & Moran, PLLC ("Plante Moran") (formally EKS&H LLLP) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	For the Fiscal Years Ended March 31,	
	2020	**2019**
(in thousands)		
Plante Moran		
Audit Fees	112	131
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total Plante Moran	112	131
Grand Total	$ 112	$ 131

As reported in a Current Report on Form 8-K filed with the SEC on October 4, 2018, EKS&H LLLP, the Company's independent registered public accounting firm for the fiscal year ended March 31, 2018, combined with Plante Moran effective as of October 1, 2018. The aggregate fees reflected in the table above show the combined payments to EKS&H and Plante Moran.

Audit Fees: This category includes the audit of our annual financial statements included in our Annual Report on Form 10-K, review of quarterly financial statements included in our Quarterly Reports on Form 10-Q, and if and when required or requested, the audit of the effectiveness of our internal controls.

Audit-related fees: This category consists of assurance and related services provided by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees."

Tax fees: This category consists of professional services rendered primarily in connection with our tax planning and compliance activities, including the preparation of tax returns. Although we did incur $20,000 and $28,000 in tax fees for services performed by a third party during Fiscal 2020 and 2019, respectively, we did not engage Plante Moran for any tax services.

All other fees: This category consists of fees for other corporate services, primarily the review of SEC reports other than annual and quarterly reports.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

The primary purpose of the Audit Committee is to assist the Board in monitoring (i) the integrity of our financial statements and disclosures, including oversight of the accounting and financial reporting processes and the audits of our financial statements, (ii) compliance with our legal, ethical, and regulatory requirements, and (iii) the independence and performance of our independent registered public accounting firm.

The Audit Committee's policy is to pre-approve all audit and non-audit services, other than de minimis non-audit services, provided by the independent registered public accounting firm. In this regard, all fees incurred in Fiscal 2019 and Fiscal 2020, as disclosed above under the caption "Fees of the Independent Registered Public Accountants," were pre-approved by the Audit Committee. These services may include, among others, audit services, audit-related services, tax services, and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to particular services or categories of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the full Board regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

The Audit Committee considers the provision of non-audit services by our independent registered public accounting firm compatible with its independence. The Audit Committee will continue to approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The financial statements filed as part of this report are provided below.

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not required, are not applicable or the information is included in the Financial Statements or Notes thereto.

(3) Exhibits

See exhibit index which follows immediately after the financials below.

AEROGROW INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Aerogrow International, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Aerogrow International, Inc. (the "Company") as of March 31, 2020 and 2019, the related statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2020, and the related notes (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Plante & Moran, PLLC

We have served as the Company's auditor since 2011
Denver, Colorado
June 23, 2020

AEROGROW INTERNATIONAL, INC.
BALANCE SHEETS

(in thousands, except share and per share data)	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,046	$ 1,741
Restricted cash	15	15
Accounts receivable, net of allowance for doubtful accounts of $376 and $89 at March 31, 2020 and 2019, respectively	3,422	4,921
Other receivables	257	207
Inventory, net	4,788	8,440
Prepaid expenses and other	1,392	490
Total current assets	18,920	15,814
Property and equipment and intangible assets, net of accumulated depreciation of $5,467 and $4,828 at March 31, 2020 and 2019, respectively	1,229	1,006
Operating lease right of use asset	1,229	-
Deposits	669	39
Total assets	$ 22,047	$ 16,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,332	$ 1,508
Accounts payable related party	2,396	1,102
Accrued expenses	2,308	1,437
Finance lease liability	29	72
Operating lease liability	58	-
Debt associated with sale of intellectual property-current portion	17	25
Total current liabilities	7,140	4,144
Long term liabilities		
Operating lease liability	1,201	-
Notes payable related party	900	-
Other liability	297	263
Total liabilities	9,538	4,407
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, $.001 par value, 20,000,000 shares authorized, 0 issued and outstanding at March 31, 2020 and 2019, respectively	-	-
Common stock, $.001 par value, 750,000,000 shares authorized, 34,328,036 shares issued and outstanding at March 31, 2020 and 2019	34	34
Additional paid-in capital	140,817	140,817
Accumulated deficit	(128,342)	(128,399)
Total stockholders' equity	12,509	12,452
Total liabilities and stockholders' equity	$ 22,047	$ 16,859

See accompanying notes to the financial statements

AEROGROW INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS

(in thousands, except per share data)	Years ended March 31, 2020	2019
Net revenue	$ 39,214	$ 34,366
Cost of revenue	25,185	22,395
Gross profit	14,029	11,971
Operating expenses		
Research and development	877	590
Sales and marketing	8,852	8,462
General and administrative	3,992	2,913
Total operating expenses	13,721	11,965
Income from operations	308	6
Other income (expense), net		
Interest expense – related party	(232)	(301)
Other (expense) income, net	(19)	4
Total other (expense), net	(251)	(297)
Net income (loss)	$ 57	$ (291)
Net income (loss) per common share, basic and diluted	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding, basic	34,328	34,328
Weighted average number of common shares outstanding, diluted	34,328	34,328

See accompanying notes to the financial statements

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AEROGROW INTERNATIONAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share data)	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances, March 31, 2018	**-**	**$ -**	**34,328,036**	**$ 34**	**$ 140,817**	**$ (128,108)**	**$ 12,743**
Net (loss)	-	-	-	-	-	(291)	(291)
Balances, March 31, 2019	**-**	**$ -**	**34,328,036**	**$ 34**	**$ 140,817**	**$ (128,399)**	**$ 12,452**
Net income	-	-	-	-	-	57	57
Balances, March 31, 2020	**-**	**$ -**	**34,328,036**	**$ 34**	**$ 140,817**	**$ (128,342)**	**$ 12,509**

See accompanying notes to the financial statements

AEROGROW INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

(in thousands)	Years Ended March 31, 2020	2019
Cash flows from operating activities:		
Net income (loss)	$ 57	$ (291)
Adjustments to reconcile net income (loss) to cash and cash equivalents used by operations:		
Depreciation and amortization expense	639	443
Amortization of lease liability and right of use asset	30	-
Bad debt expense	396	49
Inventory allowance	25	60
Accretion of debt associated with sale of intellectual property	(24)	(32)
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	1,103	(855)
(Increase) decrease in other receivable	(50)	74
Decrease (increase) in inventory	3,627	(3,453)
(Increase) decrease in prepaid expenses and other	(802)	3
(Increase) in deposits	(730)	-
Increase (decrease) in accounts payable	2,103	(138)
Increase (decrease) in accrued expenses and other liability	921	(744)
Increase in accrued interest-related party	15	-
Decrease (increase) in customer deposits	-	18
Net cash and cash equivalents provided (used) by operating activities	7,310	(4,866)
Cash flows from investing activities:		
Purchases of equipment	(862)	(854)
Net cash and cash equivalents (used) by investing activities	(862)	(854)
Cash flows from financing activities:		
Proceeds from notes payable – related party	5,400	6,000
Repayments of notes payable – related party	(4,500)	(6,000)
Repayments of capital lease	(43)	(21)
Net cash provided (used) by financing activities	857	(21)
Net increase (decrease) in cash and cash equivalents and restricted cash	7,305	(5,741)
Cash and cash equivalents and restricted cash, beginning of period	1,756	7,497
Cash and cash equivalents and restricted cash, end of period	$ 9,061	$ 1,756

(continued on next page)

See supplemental disclosures on the following page and the accompanying notes to the financial statements

	Years Ended March 31,	
	2020	**2019**
Interest paid in cash	$ 232	$ 301
Income taxes paid	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment acquired through capital lease	$ -	$ 81
Initial recognition of right-of-use asset (Note 8)	$ 805	$ -
Initial lease liability arising from right-of-use asset (Note 8)	$ 805	$ -

See accompanying notes to the financial statements

AEROGROW INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of the Business and Summary of Significant Accounting Policies

Organization and Description of the Business

AeroGrow International, Inc. (the "Company," "we," "AeroGrow," or "our ") was incorporated in the State of Nevada on March 25, 2002. The Company's principal business is developing, marketing, and distributing advanced indoor aeroponic garden systems designed and priced to appeal to the consumer gardening, cooking and small indoor appliance markets worldwide. The Company manufactures, distributes and markets four different models of its AeroGarden systems in multiple colors, as well as over 40 varieties of seed pod kits and a full line of accessory products through multiple channels including retail distribution (brick and mortar and online), catalogue and direct-to-consumer sales in the United States and Canada.

Liquidity and Basis of Presentation

As shown in the accompanying financial statements, we have incurred net income of $57,000 and net loss of $291,000 for the years ended March 31, 2020 and 2019, respectively, and have an accumulated deficit of $128.3 million as of March 31, 2020. As more fully discussed in the Liquidity and Capital Resources section of Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company has developed sources of funding that management believes are sufficient to support the Company's operating plan for one year from the date these financials were filed. The Company's operating plan is predicated on a variety of assumptions, including, but not limited to, the level of customer and consumer demand, the effect of cost reduction programs, and the state of the general economic environment in which the Company operates. There can be no assurance that these assumptions will prove to be accurate in all material respects, or that the Company will be able to successfully execute its operating plan.

We may need to seek additional debt or equity capital during the fiscal year ending March 31, 2021 to address the seasonal nature of our working capital needs, and to enable us to increase the scale of our business. Sources of funding to meet prospective cash requirements include the Company's existing cash balances, cash flow from operations and financing from Scotts Miracle-Gro. There can be no assurance we will be able to raise this additional capital. As part of our efforts to seek additional funding of our operations, in April 2013, we entered into a strategic alliance with SMG Growing Media, Inc., a wholly owned subsidiary of Scotts Miracle-Gro Company, a worldwide marketer of branded consumer lawn and garden products ("Scotts Miracle-Gro"). As part of the strategic alliance, in April 2013 Scotts Miracle-Gro (i) acquired 2,649,007 shares of the Company's Series B Convertible Preferred Stock and a warrant to purchase shares of the Company's common stock for an aggregate purchase price of $4.0 million; and (ii) purchased all of the Company's intellectual property associated with hydroponic products, other than the AeroGrow and AeroGarden trademarks, for $500,000. In November 2016, Scotts Miracle-Gro exercised the warrant and converted its Series B Convertible Preferred Stock into shares of common stock, thereby bringing Scotts Miracle-Gro's ownership of our common stock to approximately 80%. In every year since Fiscal Year 2014, Scotts Miracle-Gro has provided term loan funding to enable us to meet prospective cash flow requirements to fund inventory demands in advance of our peak selling season. For Fiscal Year 2020, we entered into a $10.0 million Term Loan with Scotts Miracle-Gro on June 20, 2019. As of March 31, 2020, the outstanding balance of the $10.0 million Term Loan and accrued interest was repaid in full. For further information on the debt arrangement with Scotts Miracle-Gro, please see Note 2 "Notes Payable and Long Term Debt" and the strategic alliance with Scotts Miracle-Gro, please see Note 3 "Scotts Miracle-Gro Transactions – Convertible Preferred Stock, Warrants and Other Transactions" to our financial statements.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. It is reasonably possible that a change in the Company's estimates will occur in the near term and such change could be material as information becomes available. Our significant estimates include the warranty and return reserves, going concern, inventory obsolescence reserves and allowances for sales and cooperative advertising.

Net Income (Loss) per Share of Common Stock

The Company computes net income (loss) per share of common stock in accordance with Accounting Standards Codification ("ASC") 260. ASC 260 requires companies to present basic and diluted Earnings per Share ("EPS"). Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average shares of common stock outstanding for the period. Diluted EPS is similar to basic EPS, but presents the dilutive effect on a per share basis of common stock equivalents (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented. Potential shares of common stock that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS include the following: (i) employee stock options to purchase 11,000 shares of common stock for the period ended March 31, 2020; and (ii) employee stock options to purchase 94,000 shares for the period ended March 31, 2019.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at March 31, 2020 and 2019.

Restricted Cash

The Company has secured activity related to its corporate credit card purchase account with a restricted money market account. The balance in this account as of March 31, 2020 and 2019 was $15,000.

Reclassification

Certain prior year figures have been reclassified to conform to current year presentation.

Concentrations of Risk

ASC 825-10-50-20 requires disclosure of significant concentrations of credit risk regardless of the degree of such risk. Financial instruments with significant credit risk include cash deposits. The amounts on deposit with one financial institutions exceeded the $250,000 federally insured limit as of March 31, 2020. However, management believes that the financial institution is financially sound and the risk of loss is minimal.

Customers and Accounts Receivable:

For the year ended March 31, 2020, the Company had one customer, Amazon.com, which represented 36.6%, of the Company's net revenue. For the year ended March 31, 2019, the Company had one customer, Amazon.com, which represented 40.5%, of the Company's net revenue.

As of March 31, 2020, the Company had three customers, Amazon.com, Amazon.ca and Bed, Bath and Beyond, which represented 39.9%, 20.7% and 10.4%, respectively of outstanding accounts receivable. As of March 31, 2019, the Company had two customers, Amazon.com and Target, which represented 44.3% and 12.0%, respectively, of outstanding accounts receivable. Management believes that all receivables from these customers are collectible.

Suppliers:

For the year ended March 31, 2020, the Company purchased inventories and other inventory related items from one supplier totaling $11.9 million representing 47.4% of cost of revenue. For the year ended March 31, 2019, the Company purchased inventories and other inventory related items from one supplier totaling $17.1 million representing 76.5% of cost of revenue.

The Company's primary contract manufacturers are located in China. As a result, the Company may be subject to political, global COVID-19 pandemic, currency, regulatory, shipping, labor and weather/natural disaster risks which could impact the manufacturer's ability to fulfill our orders and disrupt our supply of product. Although the Company believes alternate sources of manufacturing could be obtained, these risks and any potential loss of supply could have an adverse impact on operations.

Fair Value of Financial Instruments

The Company follows the guidance in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), as it relates to the fair value of its financial assets and liabilities. This guidance requires disclosure of fair value information about certain financial instruments for which it is practicable to estimate such values, whether or not these instruments are included in the balance sheet at fair value. The fair values presented for certain financial instruments are estimates that, in many cases, may differ significantly from the amounts that could be realized upon immediate liquidation.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, i.e., exit price, in an orderly transaction between market participants. ASC 820 also provides a hierarchy for determining fair value, which emphasizes the use of observable market data whenever available. The three broad levels defined by the hierarchy are as follows, with the highest priority given to Level 1 as these are the most reliable, and the lowest priority given to Level 3. The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Quoted prices for similar assets in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data, including model-derived valuations.
Level 3: Unobservable inputs that are supported by little or no market activity.

The carrying value of financial instruments, including cash, receivables, accounts payable and accrued expenses, approximates their fair value at March 31, 2020 and 2019 due to the relatively short-term nature of these instruments.

The Company's intellectual property liability carrying value was determined by Level 3 inputs. As discussed below in Notes 2 and 3, this liability was incurred in conjunction with the Company's strategic alliance with Scotts Miracle-Gro. As of March 31, 2020 and 2019, the fair value of the Company's sale of intellectual property liability was estimated using the discounted cash flow method, which is based on expected future cash flows, discounted to present value using a discount rate of 15%. The table below summarizes the fair value and carry value of each Level 3 category liability:

	March 31, 2020		March 31, 2019	
	Fair Value	Carry Value	Fair Value	Carry Value
(in thousands)				
Liabilities				
Sale of intellectual property liability	$ 21	$ 24	$ 41	$ 48
Total	$ 21	$ 24	$ 41	$ 48

The table below sets forth a summary of changes in the fair value of the Company's Level 3 liabilities for the periods ended March 31, 2020 and March 31, 2019.

	(in thousands) Sale of intellectual property liability
Balance, March 31, 2018	$ 65
Amortization of intellectual property	(24)
Balance, March 31, 2019	$ 41
Amortization of intellectual property	(20)
Balance, March 31, 2020	$ 21

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation for financial accounting purposes is computed using the straight-line method over the estimated lives of the respective assets. Computer equipment and computer software are depreciated over three years. Office equipment and manufacturing equipment are depreciated over five years. Tooling is depreciated over three years. Leasehold improvements are being amortized over the life of the lease.

Property and equipment consist of the following:

(in thousands)	March 31, 2020	March 31, 2019
Manufacturing equipment and tooling	$ 5,006	$ 4,419
Computer equipment and software	1,105	857
Leasehold improvements	116	116
Other equipment and intangible assets	469	442
	6,696	5,834
Less: accumulated depreciation and amortization	(5,467)	(4,828)
Property and equipment, net	$ 1,229	$ 1,006

Depreciation and amortization expense for the years ended March 31, 2020 and 2019, was $639,000, and $443,000, respectively.

Inventory

Inventories are valued at the lower of cost, determined on the basis of standard costing, which approximates the first-in, first-out method, or net realizable value. When the Company is the manufacturer, raw materials, labor and manufacturing overhead are included in inventory costs. The Company records the raw materials at delivered cost. Standard labor and manufacturing overhead costs are applied to the finished goods based on normal production capacity. A majority of the Company's products are manufactured overseas and are recorded at standard cost, which includes product costs for purchased and manufactured products, and freight and transportation costs for inbound freight from manufacturers.

(in thousands)	March 31, 2020	March 31, 2019
Finished goods	$ 3,191	$ 7,071
Raw materials	1,597	1,369
	$ 4,788	$ 8,440

The Company determines an inventory obsolescence reserve based on management's historical experience and establishes reserves against inventory according to the age of the product. As of March 31, 2020 and 2019, the Company had reserved $151,000 and $126,000, respectively, for inventory obsolescence.

Accounts Receivable and Allowance for Doubtful Accounts

The Company sells its products to retailers and direct-to-consumer. Direct-to-consumer transactions are primarily paid by credit card. Retailer sales terms vary by customer, but are generally net 30 days to net 60 days. Accounts receivable are reported at net realizable value and net of the allowance for doubtful accounts. The Company uses the allowance method to account for uncollectible accounts receivable. The Company's allowance estimate is based on a review of the current status of trade accounts receivable, which resulted in an allowance of $376,000 and $89,000 at March 31, 2020 and 2019, respectively.

Other Receivables

In conjunction with the Company's processing of credit card transactions for its direct-to-consumer sales activities and as security with respect to the Company's performance for required credit card refunds and charge backs, the Company is required to maintain a cash reserve with Vanity, the Company's credit card processor. This reserve is equal to 5% of the credit card sales processed during the previous six months. As of March 31, 2020 and March 31, 2019, the balance in this reserve account was $257,000 and $207,000, respectively.

Advertising and Production Costs

The Company expenses all production costs related to advertising, including, print, television, and radio advertisements when the advertisement has been broadcast or otherwise distributed. In contrast, the Company records media and marketing costs related to its direct-to-consumer advertisements, inclusive of postage and printing costs incurred in conjunction with mailings of direct response catalogues, and related direct response advertising costs, in accordance ASC 340-20 *Capitalized Advertising Costs.* As prescribed by ASC 340-20-25, direct response advertising costs incurred are reported as assets and should be amortized over the estimated period of the benefits, based on the proportion of current period revenue from the advertisement to probable future revenue.

As the Company has re-entered the retail distribution channel, the Company has expanded its advertising to online gateway and portal advertising, as well as placement in third party catalogues.

Advertising expenses for the years ended March 31, 2020 and March 31, 2019, were as follows:

	Fiscal Year Ended March 31,	
	2020	2019
(in thousands)		
Direct-to-consumer	$ 797	$ 674
Retail	3,007	3,093
Other	1,190	317
Total advertising expense	$ 4,994	$ 4,084

As of March 31, 2020 and March 31, 2019, the Company had deferred $84,000 and $3,000, respectively, related to such media and advertising costs, which include pay-per-click, the catalogue cost described above and commercial production costs. These costs are included in the prepaid expenses and other line of the balance sheet.

Research and Development

Research, development, and engineering costs are expensed as incurred. Research, development, and engineering expenses primarily include payroll and headcount related costs, contractor fees, infrastructure costs, and administrative expenses directly related to research and development support.

Stock-Based Compensation

The Company accounts for share-based payments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718-10-55 *Shared-Based Payment*. The Company uses the Black-Scholes option valuation model to estimate the fair value of stock option awards issued. For the years ended March 31, 2020, and 2019, equity compensation in the form of stock options and grants of restricted stock that vested totaled $0.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at the end of each period, based on enacted laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Any liability for actual taxes to taxing authorities is recorded as income tax liability. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established against such assets where management is unable to conclude that it is "more likely than not" that the value of such asset will be realized. As of March 31, 2020 and 2019, the Company recognized a valuation allowance equal to 100% of the net deferred tax asset balance.

Leases

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and noncurrent operating lease liabilities in the financial statements. ROU assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term. For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments, plus unamortized initial direct costs and any prepayments, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases is included in lease expense in the statement of operations.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term. The discount rate used by the Company for the finance leases is 10.0% which is the rate specified in the lease agreement or incremental borrowing rate, as appropriate, as the present value rate. To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately.

The Company has various operating leases primarily for office space and other distribution centers, some of which include escalating lease payments and options to extend or terminate the lease. The Company determines if a contract is a lease at the inception of the arrangement. The exercise of lease renewal option is at the Company's sole discretion and options are recognized when it is reasonably certain the Company will exercise the option. The Company's leases have remaining terms of less than one year to seven years. The Company does not have lease agreements with residual value guarantees, sale leaseback terms or material restrictive covenants.

Revenue Recognition

The Company currently has two operating and reportable segments: (i) the Direct-to-Consumer segment, which is composed of sales directly from our website, mail order or customer calls to our customer service department; and (ii) the Retail segment, which is comprised of all sales related to retailers, including where possession of our product is taken and sold by the retailer in store or online, and drop ship orders that process from the retailer and drop directly to our warehouse for us to ship on behalf of the retailer.

The majority of the Company's revenue is recognized at a point in time as the products are homogenous and can be sold to a variety of customers and when it satisfies a single performance obligation by transferring control of its products and the risk of loss to a customer. Control is generally transferred when the Company's products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. The Company's general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations as of March 31, 2020 or March 31, 2019.

The Company excludes from revenues all taxes assessed by a governmental authority that are imposed on the sale of its products and collected from customers.

Promotional and other allowances (variable consideration) recorded as a reduction to net sales, primarily include consideration given to retail customers including, but not limited to the following:

- discounts granted off list prices to support price promotions to end-consumers by retailers;
- the Company's agreed share of fees given directly to retailers for advertising, in-store marketing and promotional activities; and
- incentives given to the Company's retailers for achieving or exceeding certain predetermined purchases (i.e., rebates).

The Company's promotional allowance programs with its retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one day to one year. The Company's promotional and other allowances are calculated based on various programs with retail customers, and accruals are established during the year for its anticipated liabilities. These accruals are based on agreed upon terms, as well as the Company's historical experience with similar programs, and require management's judgment with respect to estimating consumer participation and retail customer performance levels. Differences between such estimated expense and actual expenses for promotional and other allowance costs have historically been insignificant and are recognized in earnings in the period such differences are determined.

The Company records estimated reductions to revenue for customer and distributor programs and incentive offerings, including promotions, rebates, and other volume-based incentives, based on historical rates. Certain incentive programs require the Company to estimate the number of customers who will actually redeem the incentive based on historical industry experience. As of March 31, 2020 and 2019, the Company reduced accounts receivable $744,000 and $1.2 million, respectively, as an estimate for the foregoing deductions and allowances within the "accounts receivable, net" line of the balance sheets, respectively.

Warranty and Return Reserves

The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under its basic warranty program. The specific warranty terms and conditions vary depending upon the product sold, but generally include technical support, repair parts and labor for periods up to one year. Factors that affect the Company's warranty liability include the number of installed units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy the Company's warranty obligation. Based upon the foregoing, the Company has recorded as of March 31, 2020 and 2019 a provision for potential future warranty costs of $226,000 and $166,000, respectively. These reserves are recorded in the accrued expenses line of the balance sheets.

The Company reserves for known and potential returns from customers and associated refunds or credits related to such returns based upon historical experience. In certain cases, retail customers are provided a fixed allowance, usually in the 1% to 2% range, to cover returned goods and this allowance is deducted from payments made to us by such customers. As of March 31, 2020 and 2019, the Company has recorded a reserve for customer returns of $430,000 and $313,000, respectively. These expenses are included in the accrued expenses line of the balance sheets.

Shipping and Handling Costs

Shipping and handling costs associated with inbound freight are recorded in cost of revenue and are capitalized in inventory until the inventory is sold. Shipping and handling costs associated with freight out to customers are also included in cost of revenue. Shipping and handling charges paid by customers are included in net revenue.

Segments of an Enterprise and Related Information

GAAP utilizes a management approach based on allocating resources and assessing performance as the source of the Company's reportable segments. GAAP also requires disclosures about products and services, geographic areas and major customers. At present, the Company operates in two segments, Direct-to-Consumer and Retail Sales.

New Accounting Pronouncements

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments," which requires entities to estimate all expected credit losses for certain types of financial instruments, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The updated guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. This guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within that reporting period, and early adoption is permitted. The Company is in the process of evaluating the potential impact of this new guidance on the Company's consolidated financial statements and related disclosures.

Accounting Standards Recently Adopted

In February 2016, the FASB issued ASU 2016-02, Leases ("ASC 842"), which, among other things, requires an entity to recognize a right-of-use ("ROU") asset and a lease liability on the balance sheet for substantially all leases, including operating leases. The Company adopted ASC 842 effective April 1, 2019 utilizing the modified retrospective approach such that prior year Financial Statements were not recast under the new standard. Adoption of this standard resulted in changes to the Company's Balance Sheets, Statements of Operations and accounting policies for leases but did not have an impact on the Statements of Cash Flows. See Note 8 for additional information regarding the new standard and its impact on the Company's Financial Statements.

Note 2 – Notes Payable and Long Term Debt

We relied upon a variety of debt funding sources to meet our liquidity requirements during the fiscal years ended March 31, 2020 and 2019, as summarized below:

	March 31, 2020 (in thousands)	March 31, 2019 (in thousands)
Notes payable and debt-related party	$ 915	$ -
Sale of intellectual property liability (see Note 3)	24	48
Total notes payable and debt	939	48
Less current portion-long term debt	39	25
Long term debt	$ 900	$ 23

Scotts Miracle-Gro Term Loan Agreement

On June 20, 2019, the Company renewed a Working Capital Term Loan Agreement in the principal amount of up to $10.0 million with Scotts Miracle-Gro. The proceeds were made available as needed in increments of $500,000, the Company may pay down and reborrow during the Term Loan, not to exceed $10.0 million with a due date of March 31, 2020. The Company repaid the principal and interest in full on February 7, 2020. As a result the Company's note payable balance was $0 on March 31, 2020. The Term Loan Agreement was secured by a lien on the assets of the Company. Interest was charged at the stated rate of 10% per annum and will be paid, in cash, quarterly in arrears at the end of each September, December and March. The funds provided under the Term Loan were used for general working capital and to acquire inventory to support anticipated growth as the Company expands its retail and its direct-to-consumer sales channels. The Term Loan permitted prepayments without penalty or premium and, the Company had borrowed $4.5 million under the Term Loan during fiscal 2020. As of March 31, 2020 the Company repaid the outstanding balance of the Term Loan and accrued interest in full.

On June 20, 2019, the Company entered into a Real Estate Term Loan Agreement with Scotts Miracle-Gro in the principal amount of up to $1.5 million, with a due date of March 31, 2022. The funding provides capital to fund real estate related lease obligations in increments of $100,000. Interest will be charged at the stated rate of 10% and will be paid quarterly in arrears on each of April 30, July 31, October 31 and January 31. As of March 31, 2020, the Company had borrowed $900,000 under the Real Estate Term Loan.

Liability Associated with Scotts Miracle-Gro Transaction

On April 22, 2013, the Company and Scotts Miracle-Gro agreed to enter an Intellectual Property Sale Agreement, a Technology License Agreement, a Brand License Agreement, and a Supply Chain Services Agreement. The Intellectual Property Sale Agreement and the Technology License constitute an agreement of sales of future revenues. Because the Company received cash from Scotts Miracle-Gro and agreed to pay until March 2022 a specified percentage of revenue and because the Company has significant involvement in the generation of its revenue, the excess paid over net book value is classified as debt and is being amortized under the effective interest method. As of March 31, 2020 and 2019, the Company recorded a liability of $24,000 and $48,000, respectively, was recorded on the balance sheets for the Intellectual Property Sale Agreement.

Note 3 – Scotts Miracle-Gro Transactions – Convertible Preferred Stock, Warrants and Other Transactions

On April 22, 2013, the Company entered into a Securities Purchase Agreement with SMG Growing Media, Inc. (the "Investor"), a wholly owned subsidiary of Scotts Miracle-Gro (NYSE: "SMG"), a worldwide marketer of branded consumer lawn and garden products. Pursuant to the Securities Purchase Agreement, Scotts Miracle-Gro 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 (ii) a warrant to purchase shares of the Company's common stock (the "Warrant," as described in greater detail below) for an aggregate purchase price of $4.0 million. The Securities Purchase Agreement, Certificates of Designations for the Series B Preferred Stock, Form of Warrant, Indemnification Agreement, Investor's Rights Agreement and Voting Agreement have been filed as exhibits to a Current Report on Form 8-K that was filed with the SEC on April 23, 2013. On November 29, 2016 Scotts Miracle-Gro fully exercised the Warrant and upon exercise of the Warrant the Series B Preferred Stock converted into shares of common stock.

Upon exercise of the Warrants and demand by Scotts Miracle-Gro, the Company must use its best efforts to file a Registration Statement on Form S-3, or, if the Company is not eligible for Form S-3, on Form S-1 (collectively, the "Registration Statement"), covering the shares of the Company's common stock covered by the Preferred Stock and the Warrant, within 120 calendar days after receipt of Scotts Miracle-Gro's demand for registration and shall use its best efforts to cause the Registration Statement to become effective as soon as possible thereafter.

The foregoing description of the Securities Purchase Agreement, the Certificates of Designations for the Series B Convertible Preferred Stock, the Warrant, and the resulting transaction is only a summary, does not purport to be complete, and is qualified in its entirety by reference to the full text of the applicable documents, each of which was included as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on April 23, 2013. The warrant on the Series B Convertible Preferred Stock was accounted for as a liability at its estimated fair value. The derivative warrant liability was re-measured to fair value, on a recurring basis, at the end of each reporting period until it was exercised. The Company accounted for the warrant as a liability and measured the value of the warrant using the Monte Carlo simulation model as of the end of each quarterly reporting period until the warrant was exercised. On November 29, 2016, Scotts Miracle-Gro fully exercised its warrant to purchase 80% of the Company's outstanding stock, when the derivative warrant liability was extinguished and the Convertible Preferred Stock was converted to common stock.

Under the Securities Purchase Agreement, the Company's Board of Directors (the "Board") is required to consist of five members, which shall be set forth in the Company's Bylaws. Upon exercise of the Warrant, Scotts Miracle-Gro became entitled to appoint, and has appointed, three of the five members of the Board. See Part III, Item 10 "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K.

In conjunction with the Private Offering described above, the Company and Scotts Miracle-Gro also agreed to the following:

Intellectual Property Sale. The Company also agreed to sell to Scotts Miracle-Gro all intellectual property associated with the Company's hydroponic products (the "Hydroponic IP"), other than the AeroGrow and AeroGarden trademarks, free and clear of all encumbrances, for $500,000. Scotts Miracle-Gro has the right to use the AeroGrow and AeroGarden trademarks in connection with the sale of products incorporating the Hydroponic IP. The Intellectual Property Sale Agreement and the Technology License constitute an agreement of sales of future revenues. Because the Company received cash from Scotts Miracle-Gro and agreed to pay until March 2022 a specified percentage of the revenue, and the Company has significant involvement in the generation of the revenue, the excess paid over net book value is classified as a liability and is being amortized under the effective interest method. As of March 31, 2020 and 2019, $24,000 and $48,000 was recorded as a liability on the balance sheets.

Technology Licensing Agreement. The Company was granted an exclusive license (the "Technology License") to use the Hydroponic IP in North America and certain European countries (collectively, the "Company Markets") in return for a royalty of 2% of annual net sales (the "Royalty"), as determined at the end of each fiscal year. As of March 31, 2020 and 2019, the Company has accrued as a liability $1.5 million and $680,000, respectively, for the Technology Licensing Agreement and has expensed $784,000 and $680,000 for March 31, 2020 and March 31, 2019, respectively. The accrual is calculated as 2% of the annual net sales and recorded as a liability. The initial term of the Technology License is five years, and the Company may renew the Technology License for an additional five-year terms by providing notice to Scotts Miracle-Gro at least six months in advance of the expiration of each five-year term, provided that Scotts Miracle-Gro is not in default under the Technology Licensing Agreement at the time of renewal and expires March 2023. The Technology License may not be assigned.

Brand License. The Company and Scotts Miracle-Gro also entered a brand license whereby the Company may use certain of Scotts Miracle-Gro's trade name, trademark and/or service mark to rebrand the AeroGarden and, with the written consent of Scotts Miracle-Gro, other products in the Company Markets in exchange for the Company's payment to Scotts Miracle-Gro of an amount equal to 5% of incremental growth in annual net sales. The initial term of the brand license will be five years, and the Company may renew the license for additional five-year terms by providing notice to Scotts Miracle-Gro at least six months in advance of the expiration of each five-year term, provided that Scotts Miracle-Gro is not in default under the brand license at the time of renewal. The brand license may not be assigned. The brand license may only be terminated by Scotts Miracle-Gro in the event of an uncured default, under the terms of the brand license. The Brand License Agreement was filed with the SEC on February 17, 2015 as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2014. Effective April 1, 2019, the Company and Scotts Miracle-Gro entered into a revised brand license agreement. The accrued liability for the Brand License Agreement which is calculated at an amount equal to 5% of all seed pod kit and seed pod kit related sales and is recorded as a liability and amounts to $932,000 and $422,000 as of March 31, 2020 and March 31, 2019, respectively and has expensed $510,000 and $422,000 for March 31, 2020 and March 31, 2019, respectively.

Collaboration. During the term of the Brand License, the Company has access to Scotts Miracle-Gro's business development team, selling, marketing and supply chain resources, customer and email lists, for reasonable "out of pocket" costs, and Scotts Miracle-Gro will have access to the Company's consumer email lists.

Supply Chain Services Agreement. During the term of the Technology License Agreement, Scotts Miracle-Gro will pay the Company an annual fee equal to 7% of the cost of goods of all products that Scotts Miracle-Gro purchases from the Company or a vendor, in exploiting the Hydroponic IP internationally (outside of the Company Markets) over the course of each contract year during the term of the Securities Purchase Agreement.

Note 4 – Equity Compensation Plans and Employee Benefit Plans

In August 2005, the Company's Board of Directors approved the 2005 Equity Compensation Plan (the "2005 Plan") pursuant to which both qualified and nonqualified stock options as well as restricted shares of common stock are reserved for issuance to eligible employees, consultants and directors of the Company. A total of 13,505,000 shares of our common stock may be granted under the 2005 Plan. The 2005 Equity Compensation plan has expired and we currently do not anticipate a shareholder meeting to approve a new plan. The 2005 Plan was administered by the Company's Governance, Compensation and Nominating Committee.

For the years ended March 31, 2020 and 2019, the Company did not grant any options to purchase the Company's common stock under the 2005 Equity Compensation Plan. As of March 31, 2020, the Company had a total of 11,300 options outstanding with exercise prices of $1.55 per share.

No compensation expense for stock options was recognized for the years ended March 31, 2020 and 2019.

A summary of option activity in the 2005 Plan is as follows:

		Exercise price		
	Options (in thousands)	**Low**	**High**	**Weighted-Average**
Balances at April 1, 2018	175	$ 1.10	$ 5.31	$ 3.50
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	70	2.20	2.20	-
Balances at March 31, 2019	105	$ 1.55	$ 5.31	$ 4.90
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	94	5.31	5.31	-
Balances at March 31, 2020	11	$ 1.55	$ 1.55	$ 1.55

Information regarding all stock options outstanding under the 2005 Plan as of March 31, 2020 is as follows:

	OPTIONS OUTSTANDING AND EXERCISABLE			
Exercise price	**Options** (in thousands)	**Weighted-average Remaining Contractual Life (years)**	**Weighted-average Exercise Price**	**Aggregate Intrinsic Value** (in thousands)
$ 1.55	11	0.38	$ 1.55	0

The aggregate intrinsic value in the preceding table represents the difference between the Company's closing stock price and the exercise price of each in-the-money option on the last trading day of the period presented which was March 31, 2020.

At March 31, 2020, there are no unvested outstanding options to purchase shares of the Company's common stock and that will result in no additional compensation expense.

We sponsor a defined contribution 401(k) plan adopted in fiscal year 2017, under which eligible associates voluntarily contribute to the plan, up to IRS maximums, through payroll deductions. We match a percentage of contributions, up to a stated limit, with all matching contributions being fully vested immediately. Our matching contributions under the 401(k) plan were $63,000 and $41,000 for the fiscal years ended March 31, 2020 and 2019, respectively.

Note 5 – Income Taxes

Under the provisions of GAAP, a deferred tax asset or liability (net of valuation allowance) is provided in the financial statements by applying the provisions of applicable laws to measure the deferred tax consequences of temporary differences that will result in taxable or deductible amounts in the future years as a result of events recognized in the financial statements in the current or preceding years.

Income/(loss) before provision for income taxes consisted of the following:
(in thousands)

	For the Years Ended March 31,	
	2020	**2019**
United States	$ 57	$ (291)
Foreign	-	-
Income(loss) before tax provision	57	$ (291)

Income tax provision consisted of the following:
(in thousands)

	For the Years Ended March 31, 2020	2019
Current:		
Federal	$ -	$ -
Foreign	-	-
State	1	1
	1	1
Deferred:		
Federal	-	-
Foreign	-	-
State	-	-
	-	-
Income tax provision	$ 1	$ 1

Reconciliation of effective tax rate:

	For the Years Ended March 31, 2020	2019
Federal taxes at statutory rate	21.00%	21.00%
State taxes, net of federal benefit	61.09%	5.34%
Other Permanent items	14.73%	-2.63%
Other Adjustments	56.79%	17.73%
Valuation allowance	-152.22%	-33.27%
Stock-based compensation	0.00%	-8.45%
Effective income tax rate	1.39%	-0.28%

(in thousands)

	As of March 31, 2020	2019
Non-Current Deferred Tax Assets and Liabilities:		
Net Operating Loss	$ 3,491	$ 3,441
R & D credit carryforwards	597	597
Intangibles and fixed assets	-	40
ASC 842 lease liability	286	-
Accrued compensation	211	121
Allowance for bad debt	86	22
Reserve for customer returns	98	78
Warranty reserve	51	42
Reserve for obsolete inventory	34	32
Stock-compensation	4	44
Other	12	15
Prepaid expenses	(180)	(77)
Fixed asset basis	(143)	-
Right of use asset	(279)	-
Valuation allowance	(4,268)	(4,355)
Non-Current Deferred Tax Assets and Liabilities, Net	$ -	$ -

ASC 740 requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. Because of the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance. Income tax expense for the years ended March 31, 2020 and 2019 is recorded within the other expense line of the statement of operations.

The valuation allowance increased (decreased) by $(87,000) during 2020 and $97,000 during 2019.

Net operating losses and tax credit carryforwards as of the Financial Statement Date are as follows:
(in thousands)

	Amount	Expiration Years
Net operating losses, federal (Post September 30, 2019)	$ 2,976	Do not Expire
Net operating losses, federal (Pre September 30, 2019)	13,089	2031-2037
Tax credits, federal	597	2023-2028

ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold before a benefit is recognized in the financial statements. As of March 31, 2020, the Company has not recorded a liability for uncertain tax positions. Included in net deferred tax assets is $597,000 of federal research credits that may offset future taxable income through 2023. While the Company believes that the credit calculations are correct, it is possible that upon an examination by taxing authorities, the research credits available to offset future taxable income may be reduced in whole or in part. However, as the Company is not currently recognizing a benefit for the research credits, there is no impact to the financial statements pursuant to ASC 740. There have been no income tax related interest or penalties assessed or recorded and if interest and penalties were to be assessed, the Company would charge interest and penalties to income tax expense. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date. The Company files income tax returns in the U.S. and various state jurisdictions and there are open statutes of limitations for taxing authorities to audit the Company's tax returns from years ended March 31, 2016 through the current period.

On March 27, 2020, President Trump signed into U.S. federal law the CARES Act, which is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit ("AMT") refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. In particular, the CARES Act, (i) eliminates the 80% of taxable income limitation by allowing corporate entities to fully utilize NOLs to offset taxable income in 2018, 2019 or 2020, (ii) increases the net interest expense deduction limit to 50% of adjusted taxable income from 30% for tax years beginning January 1, 2019 and 2020 and (iii) allows taxpayers with AMT credits to claim a refund in 2020 for the entire amount of the credit instead of recovering the credit through refunds over a period of years, as originally enacted by the Tax Cuts and Jobs Act in 2017. Passage of the CARES Act did not have a material impact on the Company's income tax.

Note 6 – Related Party Transactions

See Note 2 "Notes Payable and Long Term Debt," and Note 8 "Stockholders' Equity" to our financial statements for discussion related to debt and equity transactions involving our officers, directors and 5% or greater shareholders. As described therein, Scotts Miracle-Gro owns more than 80% of the Company's common stock and has appointed three of the Company's five directors.

On June 20, 2019, the Company entered into a Working Capital Term Loan Agreement in the principal amount of up to $10.0 million with Scotts Miracle-Gro. Interest was charged at the stated rate of 10% per annum. As disclosed above in Note 2 under the caption "Scotts Miracle-Gro Term Loan," the principal and interest due on the Working Capital Term Loan was paid in full during February 2020, leaving a $0 balance due at March 31, 2020. On June 20, 2019, the Company entered into a Real Estate Term Loan Agreement in the principal amount of up to $1.5 million with Scotts Miracle-Gro with a due date of March 31, 2022. Interest was charged at the stated rate of 10% per annum. As disclosed above in Note 2 under the caption "Scotts Miracle-Gro Term Loan," the principal and interest balance of the Real Estate Term Loan at March 31, 2020, was $915,000 which included principal and interest.

During the year ended March 31, 2020 and 2019, the Company sold product to Scotts Miracle-Gro for approximately $14,000 and $5,000, respectively. Additionally, for the year ended March 31, 2020, we paid Scotts Miracle-Gro $377,000 for charges incurred related to insurance for directors and officers, use of equipment purchased by Scotts Miracle-Gro and consulting expertise from select employees. For the year ended March 31, 2019, we paid Scotts Miracle-Gro $176,000 incurred related to insurance for directors and officers, use of equipment purchased by Scotts Miracle-Gro and consulting expertise from select employees.

Note 7 – Commitments and Contingencies

We lease an office space in Boulder, Colorado. We lease 14,630 square feet with a current monthly rent of $21,000. We also pay our proportionate share of building taxes, insurance and operating expenses. The lease term expires September 30, 2026. The agreement contains other standard office lease provisions.

During 2020, we moved our corporate office and did not renew a lease agreement to lease office space in Boulder, Colorado which expired September 30, 2019. The leased space was 11,182 square feet with a monthly rent of $12,000. We also paid our proportionate share of building taxes, insurance and operating expenses. The agreement contained other standard office lease provisions.

In May 2011, the Company reached an agreement with Abacus Logistics Solutions to provide warehousing, distribution and fulfillment operations, and seed pod kit manufacturing. The agreement calls for a monthly $10,000 facility charge. The Company has extended its agreement with Wildernest Logistics Solutions effective April 17, 2014 for a two-year term with automatic one-year renewals.

Future cash payments under such agreements for the remaining years are as follows:

Year Ending		**Rent**
		(in thousands)
March 31, 2021	$	185
March 31, 2022		266
March 31, 2023		275
March 31, 2024		285
March 31, 2025		294
Thereafter		460
	$	1,765

During Fiscal 2019, we were the target of a sophisticated external cyber-attack. The attackers gained unauthorized access to certain of our information technology systems. We have continued to implement security enhancements since this incident and are supporting federal law enforcement efforts to identify the responsible parties. Upon discovery of the cyber-attack, we took immediate action to remediate the security vulnerability and identify solutions based on the evolving landscape. We have incurred expenses subsequent to the cyber-attack to investigate and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. We will recognize these expenses in the periods in which they are incurred and there are no material liabilities that exist as of March 31, 2020 and 2019 related to this cyber-attack.

Note 8 – Leases

The Company adopted ASU 2016-02, "Leases" "ASC 842" on April 1, 2019, the Company adopted using the modified retrospective approach applied to all leases with a remaining lease term greater than one year. Results for reporting periods beginning after April 1, 2019, are presented in accordance with the new guidance under ASC 842, while prior period amounts are not restated. The adoption of the new lease guidance resulted in the Company recognizing operating lease ROU assets and lease liabilities based on the present value of remaining minimum lease payments less incentives for tenant improvements. For the discount rate assumption, the implicit rate was not readily determinable in the Company's lease agreements. Therefore, the Company used an estimated incremental borrowing rate, in determining the present value of lease payments. There was no impact to opening retained earnings.

The Company elected the practical expedients available under ASC 842 and applied them consistently to all applicable leases. The Company did not apply ASC 842 to any leases with a remaining term of 12 months or less. For these leases, no asset or liability was recorded and lease expense continues to be recognized on a straight-line basis over the lease term. As allowed by the practical expedients, the Company does not reassess whether any expired or existing contracts are or contain leases, does not reassess the lease classification for any expired or existing leases and does not reassess initial direct costs for existing leases.

The table below sets forth supplemental Balance Sheet information for the Company's leases.

	March 31, 2020 (in thousands)
Assets	
Operating lease ROU assets	$ 1,229
Liabilities	
Operating lease	$ 1,259

As of March 31, 2020, the weighted average remaining lease term for operating leases was 7 years, and the weighted average discount rate was 10%.

The table below sets forth the future cash payments under such agreements for the remaining years are as follows:

Year Ending	Operating Leases (in thousands)	Financing Leases (in thousands)
March 31, 2021	$ 185	30
March 31, 2022	266	-
March 31, 2023	275	-
March 31, 2024	285	-
March 31, 2025	294	-
Thereafter	460	-
Total lease payments	$ 1,765	30
Less: amount of lease payments representing interest	(506)	(1)
Present value of future minimum lease payments	1,259	29
Less: current obligations under leases	(58)	(29)
Long-term lease obligations	$ 1,201	-

Rent expense for the year ended March 31, 2020 and 2019 was $502,000 and $331,000, respectively.

Note 9 – Segment Information

The Company has determined that its reportable segments are those that are based on its method of internal reporting and the perspective of the chief operating decision maker. The Company has two reportable segments, Retail Sales and Direct-to-Consumers. The Company evaluates performance based on the primary financial measure of contribution margin ("segment profit"). Segment profit reflects the income or loss from operations before corporate expenses, non-operating income, net interest expense, and income taxes. The Company doesn't have an individually identified assets regarding specific segments as all processes to manufacture products are not different based on segment.

	Fiscal Year Ended March 31, 2020			
(in thousands)	Direct-to-consumer	Retail	Corporate/Other	Consolidated
Net sales	$ 13,322	$ 25,892	$ -	$ 39,214
Cost of revenue	8,537	16,648	-	25,185
Gross profit	4,785	9,244	-	14,029
Gross profit percentage	35.9%	35.7%	-	35.8%
Sales and marketing (1)	1,376	3,302	1,480	6,158
Segment profit	3,409	5,942	(1,480)	7,871
Segment profit percentage	25.6%	22.9%	-	20.1%

(1) Sales and marketing includes advertising, trade shows, media production and promotional products, general brand marketing and other as discussed in the sales and marketing section.

	Fiscal Year Ended March 31, 2019			
(in thousands)	Direct-to-consumer	Retail	Corporate/Other	Consolidated
Net sales	$ 8,091	$ 26,275	$ -	$ 34,366
Cost of revenue	5,737	16,658	-	22,395
Gross profit	2,354	9,617	-	11,971
Gross profit percentage	29.1%	36.6%	-	34.8%
Sales and marketing (1)	802	3,575	1,324	5,701
Segment profit	1,552	6,042	(1,324)	6,270
Segment profit percentage	19.2%	23.0%	-	18.2%

(1) Sales and marketing includes advertising, trade shows, media production and promotional products, general brand marketing and other as discussed in the sales and marketing section.

Note 10 – Subsequent Events

None.

INDEX TO EXHIBITS

3.1	Articles of Incorporation of the Company, dated March 25, 2002 (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.2	Certificate of Amendment to Articles of Incorporation, dated June 25, 2002 (incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.3	Certificate of Amendment to Articles of Incorporation, dated November 3, 2002 (incorporated by reference to Exhibit 3.3 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.4	Certificate of Change to Articles of Incorporation, dated January 31, 2005 (incorporated by reference to Exhibit 3.4 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.5	Certificate of Amendment to Articles of Incorporation, dated July 27, 2005 (incorporated by reference to Exhibit 3.5 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.6	Certificate of Amendment to Articles of Incorporation, dated February 24, 2006 (incorporated by reference to Exhibit 3.6 of our Current Report on Form 8-K/A-2, filed November 16, 2006)
3.7	Certificate of Amendment to Articles of Incorporation, certified May 3, 2010 (incorporated by reference to Exhibit 3.7 of our Quarterly Report on Form 10-Q, filed August 12, 2010)
3.8	Certificate of Amendment to Articles of Incorporation, dated May 1, 2012 (incorporated by reference to Exhibit 3.8 of our Quarterly Report on Form 10-Q, filed August 10, 2012)
3.9	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed September 26, 2008)
3.10	Amendment to Bylaws (incorporated by reference to Exhibit 3.9 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2009, filed July 6, 2009)
3.11	Amendment No. 2 to Bylaws (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed April 23, 2013)
4.1	Form of Certificate of Common Stock of Registrant (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed September 5, 2007)
4.2	Investor Rights Agreement by and between the Company and SMG Growing Media, Inc., dated April 22, 2013 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed April 23, 2013)
10.1	2003 Stock Option Plan, as amended (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed March 7, 2006)
10.2	Form of Stock Option Agreement relating to the 2003 Stock Option Plan (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K, filed March 7, 2006)
10.3	2005 Equity Compensation Plan, as amended (incorporated by reference to Appendix A of our Definitive Proxy Statement on Schedule 14A, filed July 28, 2010)
10.4	Form of Stock Option Agreement relating to the 2005 Equity Compensation Plan (incorporated by reference to Exhibit 10.5 of our Current Report on Form 8-K, filed March 7, 2006)
10.5	Form of Restricted Stock Grant Agreement relating to the 2005 Equity Compensation Plan (incorporated by reference to Exhibit 10.6 of our Current Report on Form 8-K, filed March 7, 2006)

10.6	Form of Indemnification Agreement for Officers and Directors of the Company (incorporated by reference to Exhibit 10.10 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed November 10, 2010)
10.7	Employment Agreement dated March 4, 2012 by and between Company and J. Michael Wolfe, Chief Executive Officer (incorporated by reference to Exhibit 10.8 of our Current Report on Form 8-K, filed March 6, 2012)
10.8	Employment Agreement dated as of March 4, 2012 by and between the Company and John K. Thompson, Senior Vice President, Sales and Marketing (incorporated by reference to Exhibit 10.10 of our Current Report on Form 8-K, filed March 6, 2012)
10.9	Securities Purchase Agreement, by and between the Company and SMG Growing Media, Inc., dated April 22, 2013 (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed April 23, 2013)
10.10	Indemnification Agreement, by and between the Company and Chris J. Hagedorn, dated April 22, 2013 (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed April 23, 2013)
10.11	Intellectual Property Sale Agreement dated April 22, 2013 (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed February 17, 2015)
10.12	Intellectual Property Licensing Agreement dated April 22, 2013 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed February 17, 2015)
10.13	Brand License Agreement dated April 22, 2013 (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q filed February 17, 2015)
10.14	First Amendment to Brand License Agreement (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed November 9, 2015)
10.15	Brand License Agreement Additional Territory Term Sheet No. 1 (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q filed November 9, 2015)
10.16	First Amendment to Technology License Agreement (incorporated by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q filed November 9, 2015)
10.17	Technology License Agreement Additional Territory Term Sheet No. 1 (incorporated by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q filed November 9, 2015)
10.18	Supply Chain Services Agreement dated April 22, 2013 (incorporated by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q filed February 17, 2015)
10.19	First Amendment to Collaboration Services Agreement by and among The Scotts Company LLC, OMS Investments, Inc. and AeroGrow dated July 15, 2016 (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed July 21, 2016)
10.20	First Amendment to Supply Chain Services Agreement The Scotts Company LLC, OMS Investments, Inc. and AeroGrow dated July 15, 2016 (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed July 21, 2016)
10.21	Second Amendment to Brand License Agreement, by and among OMS Investments, Inc. and AeroGrow dated July 15, 2016 (incorporated by reference to Exhibit 10.4 of our Current Report on Form 8-K filed July 21, 2016)
10.22	Second Amendment to Technology License Agreement by and among OMS Investments, Inc. and AeroGrow dated July 15, 2016 (incorporated by reference to Exhibit 10.5 of our Current Report on Form 8-K filed July 21, 2016)
10.23	Second Amendment to Collaboration Services Agreement by and among The Scotts Company LLC, OMS Investments, Inc. and AeroGrow dated September 13, 2017 (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed September 26, 2017)

10.24	Third Amendment to Technology License Agreement by and among OMS Investments, Inc. and AeroGrow dated March 8, 2017 (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed November 13, 2017)
10.25	Third Amendment to Collaboration Services Agreement by and among The Scotts Company LLC, OMS Investments, Inc. and AeroGrow dated March, 29, 2018 (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed April 4, 2018)
10.26	Notice of Renewal of License Agreement by and between OMS Investments, Inc. and AeroGrow dated March 29, 2018 (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed April 4, 2018)
10.27	Brand License Agreement by and between OMS Investments, Inc. and AeroGrow dated as of April 1, 2018 (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed April 4, 2018)
10.28	Distribution, Trademark and Technology Agreement by and among Aiwuan Shanghai ltd and AeroGrow dated as of March 13, 2018 (incorporated by reference to Exhibit 10.4 of our Current Report on Form 8-K filed April 4, 2018)
10.29	Term Loan and Security Agreement by and among The Scotts Company LLC and AeroGrow dated as of July 6, 2018 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed July 12, 2018)
10.30	Fourth Amendment to Technology License Agreement dated by and among OMS Investments, Inc. and AeroGrow dated as of July 7, 2018 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed July 12, 2018)
10.31*	Lease Agreement between Spinebarrel, LLC and AeroGrow, dated as of June 1, 2019 (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K filed June 25, 2019)
10.32*	Term Loan and Security Agreement by and among The Scotts Company LLC and AeroGrow dated as of June 20, 2019 (incorporated by reference to Exhibit 10.37 to our Annual Report on Form 10-K filed June 25, 2019)
24.1*	Power of Attorney (included on the signature page to this Annual Report on Form 10-K)
31.1*	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AEROGROW INTERNATIONAL, INC.,
A NEVADA CORPORATION

Date: JUNE 23, 2020

By: /s/ J. Michael Wolfe
J. Michael Wolfe
Title
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint either of J. Michael Wolfe or Grey H. Gibbs, with full power of substitution and full power, to act as his or her true and lawful attorney-in-fact and agent with full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully, to all intents and purposes, as he or she might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorney-in-fact and agent may or shall lawfully do, or cause to be done, in connection with the proposed filing by AeroGrow International, Inc. with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, of an Annual Report on Form 10-K for the fiscal year ended March 31, 2020 (the "Annual Report"), including but not limited to, such full power and authority to do the following: (i) execute and file such Annual Report; (ii) execute and file any amendment or amendments thereto; (iii) receive and respond to comments from the Securities and Exchange Commission related in any way to such Annual Report or any amendment or amendments thereto; and (iv) execute and deliver any and all certificates, instruments or other documents related to the matters enumerated above, as the attorney-in-fact in her sole discretion deems appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 23rd day of June 2020.

Signature	**Title**	**Date**
/s/ J. MICHAEL WOLFE J. Michael Wolfe	President and Chief Executive Officer *(Principal Executive Officer)*	JUNE 23, 2020
/s/ GREY H. GIBBS Grey H. Gibbs	Senior Vice- President – Finance and Administration (*Principal Financial and Accounting Officer*)	JUNE 23, 2020
/s/ CHRIS J. HAGEDORN Chris J. Hagedorn	Chairman of the Board	JUNE 23, 2020
/s/ H. MACGREGOR CLARKE H. Macgregor Clarke	Director	JUNE 23, 2020
/s/ CORY MILLER Cory Miller	Director	JUNE 23, 2020
/s/ PATRICIA ZIEGLER Patricia Ziegler	Director	JUNE 23, 2020
/s/ DAVID B. KENT David B. Kent	Director	JUNE 23, 2020

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rules 13a-14(a) and 15d-14(a) under
The Securities Exchange Act of 1934, as Amended

I, J. Michael Wolfe, certify that:

1. I have reviewed this Annual Report on Form 10-K of AeroGrow International, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 23, 2020

/s/ J. Michael Wolfe
J. Michael Wolfe
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rules 13a-14(a) and 15d-14(a) under
The Securities Exchange Act of 1934, as Amended

I, Grey H. Gibbs, certify that:

1. I have reviewed this Annual Report on Form 10-K of AeroGrow International, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 23, 2020

/s/ Grey H. Gibbs
Grey H. Gibbs
Senior Vice President – Finance and Administration
(Principal Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer of
AeroGrow International, Inc.
Pursuant to 18 U.S.C. Section 1350
(Adopted by Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of AeroGrow International, Inc. (the "Company") for the year ended March 31, 2020, as filed with the Securities and Exchange Commission (the "Report"), I, J. Michael Wolfe, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 23, 2020

/s/ J. Michael Wolfe
J. Michael Wolfe
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Controller and Chief Accounting Officer of
AeroGrow International, Inc.
Pursuant to 18 U.S.C. Section 1350
(Adopted by Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of AeroGrow International, Inc. (the "Company") for the year ended March 31, 2020, as filed with the Securities and Exchange Commission (the "Report"), I, Grey H. Gibbs, Senior Vice President of Finance and Accounting and Chief Accounting Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 23, 2020

/s/ Grey H. Gibbs
Grey H. Gibbs
Senior Vice President – Finance and Administration
(Principal Accounting Officer)

Exhibit F

DECL
KIRK B. LENHARD, ESQ., NV Bar No. 1437
klenhard@bhfs.com
MAXIMILIEN D. FETAZ, ESQ., NV Bar No. 12737
mfetaz@bhfs.com
TRAVIS F. CHANCE, ESQ., Nevada Bar No. 13800
tchance@bhfs.com
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MARJORIE P. DUFFY, ESQ. (*pro hac vice* submitted)
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325 John H. McConnell Boulevard, Suite 600
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Telephone: 614.469.3939

ASHLEY F. HEINTZ, ESQ. (admitted *pro hac vice*)
aheintz@jonesday.com
JONES DAY
1420 Peachtree Street, N.E., Suite 800
Atlanta, Georgia 30309
Telephone: 404.521.3939

Attorneys for Defendants AGI Acquisition Sub, Inc., SMG Growing Media, Inc., The Scotts Miracle-Gro Company, AeroGrow International, Inc., Chris Hagedorn, Cory Miller, Patricia M. Ziegler, James Hagedorn, and Peter Supron

DISTRICT COURT

CLARK COUNTY, NEVADA

OVERBROOK CAPITAL LLC, on Behalf of Itself and All Others Similarly Situated, *Plaintiffs*, v. AEROGROW INTERNATIONAL, INC., CHRIS HAGEDORN, H. MACGREGOR CLARKE, DAVID B. KENT, CORY MILLER, PATRICIA M. ZIEGLER, SMG GROWING MEDIA, INC., and SCOTTS MIRACLE-GRO COMPANY, *Defendants*.	CASE NO.: A-21-827665-B (**Lead Case**) DEPT NO.: XI **DECLARATION OF BERNARD ASIRIFI**

NICOYA CAPITAL, LLC, on behalf of itself and all other similarly situated, *Plaintiffs*, v. CHRIS HAGEDORN, H. MACGREGOR CLARKE, DAVID B. KENT, CORY MILLER, PATRICIA M. ZIEGLER, JAMES HAGEDORN, PETER SUPRON, and AEROGROW INTERNATIONAL, INC., a Nevada Corporation, and AGI ACQUISITION SUB, INC., a Nevada Corporation, SMG GROWING MEDIA, INC., an Ohio Corporation, and SCOTTS MIRACLE-GRO COMPANY, an Ohio Corporation, *Defendants.*	CASE NO.: A-21-827745-B
BRADLEY LOUIS RADOFF, *Plaintiff* CHRIS HAGEDORN, an individual; H. MACGREGOR CLARKE, an individual; DAVID B. KENT, an individual; CORY MILLER, an individual; PATRICIA M. ZIEGLER, individual; JAMES HAGEDORN, an individual; PETER SUPRON, an individual; AEROGROW INTERNATIONAL, INC., a Nevada Corporation; AGI ACQUISITION SUB, INC., a Nevada Corporation; SMG GROWING MEDIA, INC., an Ohio Corporation; THE SCOTTS MIRACLE-GRO COMPANY, an Ohio Corporation; DOES I through X, inclusive; and ROE CORPORATIONS I through X, inclusive. *Defendants.*	CASE NO.: A-21-829854-B

STATE OF OHIO)

COUNTY OF FRANKLIN)

I, BERNARD ASIRIFI, hereby declare as follows:

1. I am more than 18 years old and of sound mind. I have personal knowledge of the following facts and, if called to testify, I could and would competently testify thereto.

2. Since March 1, 2021, I have been the Assistant Corporate Secretary for AeroGrow International, Inc. ("AeroGrow") and since 2014, I have been the Manager, Securities and Governance of The Scotts-Miracle-Gro Company.

3. Given these roles, I am familiar with and have personal knowledge as to the securities-related documents for these two entities, including information and documentation related to stockholder share counts.

4. I confirm that each of the two documents attached as **Exhibit 1** and **Exhibit 2** to this declaration is a true and accurate copy of the Share Balance Summary for AeroGrow shares held by SMG Growing Media, Inc., as of January 8, 2021, that I received from EQ Shareowner Services, AeroGrow's paying agent and transfer agent.

5. I confirm that the document attached as **Exhibit 3** to this declaration is a true and accurate copy of the Share Balance Summary for AeroGrow shares held by John K. Thompson, as of January 8, 2021, that I received from EQ Shareowner Services.

6. I confirm that the document attached as **Exhibit 4** to this declaration is a true and accurate copy of the document confirming shares reported for the following non-objecting beneficial owners of shares of AeroGrow common stock, as of January 8, 2021, that I received from Broadridge Investor Communication Solutions, the administrator for AeroGrow's special meeting of the stockholders: Joseph Michael Wolfe, John Kelly Thompson, and Grey H Gibbs.

7. I have examined the originals of those records in **Exhibits 1–4** hereto and have caused to be made a true and exact copy of them and that the reproduction of them attached hereto is true and complete.

8. The original of the records in **Exhibits 1–4** were made at or near the time of the act or event recited therein by or from information transmitted by a person with knowledge, in the course of a regularly conducted activity of AeroGrow.

I declare under penalty of perjury under the law of the State of Nevada that the foregoing is true and correct.

Dated: April 6, 2021

BERNARD ASIRIFI

Exhibit 1

EQ Shareowner Services
PO Box 64945
St Paul MN 55164-0945

SMG GROWING MEDIA INC
14111 SCOTTSLAWN ROAD
MARYSVILLE OH 43041

Share Balance Summary as of January 08, 2021

Account number: 6100058939
Registration: SMG GROWING MEDIA INC
14111 SCOTTSLAWN ROAD
MARYSVILLE OH 43041

Dividend amount paid YTD: $0.00
Account creation date: August 05, 2014

Security Type	Plan Shares	Certificate Shares	DRS/Book-entry Shares	Total Share Balance	Closing Price Per Share*	Estimated Value
AeroGrow International, Inc. (OTC: AERO)	.000	6,025,952.000	.000	6,025,952.000	$2.9900	$18,017,596.48

*Closing prices given are the last available price based on as-of date. The estimated value may lose value and is not guaranteed.

If you have questions, please call our office toll-free at 1-866-877-6270 or directly at 651-306-3000. Our representatives are available to assist you Monday through Friday from 7:00 a.m. to 7:00 p.m. Central Time. You may also email us by selecting “Contact Us” on shareowneronline.com.

Sincerely,

EQ Shareowner Services

Exhibit 2

EQ Shareowner Services
PO Box 64945
St Paul MN 55164-0945

SMG GROWING MEDIA INC
THE SCOTTS COMPANY LLC
14111 SCOTTSLAWN RD
MARYSVILLE OH 43041

Share Balance Summary as of January 08, 2021

Account number: 6100058942
Registration: SMG GROWING MEDIA INC
THE SCOTTS COMPANY LLC
14111 SCOTTSLAWN RD
MARYSVILLE OH 43041

Dividend amount paid YTD: $0.00
Account creation date: December 02, 2016

Security Type	Plan Shares	Certificate Shares	DRS/Book-entry Shares	Total Share Balance	Closing Price Per Share*	Estimated Value
AeroGrow International, Inc. (OTC: AERO)	.000	21,613,342.000	.000	21,613,342.000	$2.9900	$64,623,892.58

*Closing prices given are the last available price based on as-of date. The estimated value may lose value and is not guaranteed.

If you have questions, please call our office toll-free at 1-866-877-6270 or directly at 651-306-3000. Our representatives are available to assist you Monday through Friday from 7:00 a.m. to 7:00 p.m. Central Time. You may also email us by selecting “Contact Us” on shareowneronline.com.

Sincerely,

EQ Shareowner Services

Exhibit 3

EQ Shareowner Services
PO Box 64945
St Paul MN 55164-0945

JOHN K THOMPSON
6945 WALKER DR
NIWOT CO 80503-8648

Share Balance Summary as of January 08, 2021

Account number: 6100058451
Registration: JOHN K THOMPSON
6945 WALKER DR
NIWOT CO 80503-8648

Dividend amount paid YTD: $0.00
Account creation date: May 21, 2012

Security Type	Plan Shares	Certificate Shares	DRS/Book-entry Shares	Total Share Balance	Closing Price Per Share*	Estimated Value
AeroGrow International, Inc. (OTC: AERO)	.000	1,167.000	.000	1,167.000	$2.9900	$3,489.33

*Closing prices given are the last available price based on as-of date. The estimated value may lose value and is not guaranteed.

If you have questions, please call our office toll-free at 1-866-877-6270 or directly at 651-306-3000. Our representatives are available to assist you Monday through Friday from 7:00 a.m. to 7:00 p.m. Central Time. You may also email us by selecting “Contact Us” on shareowneronline.com.

Sincerely,

EQ Shareowner Services

Exhibit 4

This document confirms shares reported for the following shareholders:

JOSEPH MICHAEL WOLFE 106791 shares

JOHN KELLY THOMPSON 41380 shares

GREY H GIBBS 6127 shares

This information is based on a Non-Objecting (NOBO) list for: Aerogrow International, Inc. as of a 1/8/21 record date.

Michelle Gribulis
Sr. Manager, Corporate Client Services
Broadridge Investor Communication Solutions

Exhibit G

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant X Filed by a Party other than the Registrant ☐

Check the appropriate box:

X Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under §240.14a-12

AEROGROW INTERNATIONAL, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

X Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value $0.001 per share, of AeroGrow International, Inc.

(2) Aggregate number of securities to which transaction applies:

6,688,742 shares of common stock issued and outstanding.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Solely for the purposes of calculating the filing fee, the maximum aggregate value of the transaction was determined based upon (i) 34,328,036 shares of common stock issued and outstanding as of December 1, 2020 minus (ii) 27,639,294 shares of common stock beneficially owned by the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro), multiplied by $3.00 per share.

In accordance with Exchange Act Rule 0-11, as amended, the filing fee of $2,189.23 was determined by multiplying the proposed maximum aggregate value of the transaction of $20,066,226 by 0.0001091.

(4) Proposed maximum aggregate value of transaction:

$20,066,226

(5) Total fee paid:

$2,189.23

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION, DATED DECEMBER 3, 2020

AeroGrow International, Inc.
5405 Spine Road
Boulder, Colorado 80301

[•], 2021

To the Stockholders of AeroGrow International, Inc.:

You are cordially invited to attend a special meeting of the stockholders (the "Special Meeting") of AeroGrow International, Inc., a Nevada corporation (the "Company," "we," "us," or "our"), to be held on [•], 2021, at [•], Mountain Time. The Special Meeting is scheduled to be held exclusively online via live webcast. There will not be a physical meeting location. The Special Meeting can be accessed by visiting www.virtualshareholdermeeting.com/AERO2021SM (the "Virtual Special Meeting Website"), where you will be able to attend the Special Meeting, vote and submit your questions during the Special Meeting. Please note 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.

At the Special Meeting, you will be asked to consider and vote on a proposal to approve the Agreement and Plan of Merger (as it may be amended from time to time, the "Merger Agreement"), dated as of November 11, 2020, by and among the Company, SMG Growing Media, Inc., an Ohio corporation ("Parent"), AGI Acquisition Sub, Inc., a Nevada corporation and wholly-owned subsidiary of Parent ("Merger Sub" and, together with Parent, the "Purchaser Parties"), and, solely for the purposes stated in Section 6.4 of the Merger Agreement, The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro"), and the transactions contemplated thereby (including the Merger (as defined below)), relating to the proposed acquisition of the Company by Parent, a direct, wholly-owned subsidiary of Scotts Miracle-Gro. Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro.

If the Merger is completed, you will be entitled to receive $3.00 in cash, without interest and subject to any required withholding of taxes, for each share of our common stock, par value $0.001 per share (the "common stock"), that you own (unless you have properly asserted and preserved your dissenter's rights pursuant to and in accordance with Nevada Revised Statutes 92A.300 through 92A.500, inclusive).

The special committee (the "Special Committee") of the board of directors of the Company (the "Board"), consisting solely of independent and disinterested directors, evaluated the Merger Agreement and the Merger in consultation with the Special Committee's legal and financial advisors and unanimously 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 Patricia M. Ziegler, Chris J. Hagedorn and Cory T. 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 proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger) 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 approval of the Merger Agreement and the transactions contemplated thereby (including 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 approval of the Merger Agreement and the transactions contemplated thereby (including the Merger) at the Special Meeting and at all adjournments, recesses or postponements thereof. As of December 1, 2020, 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.

Your vote is very important, regardless of the number of shares that you own. Whether or not you plan to attend the Special Meeting via the Virtual Special Meeting Website, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope. You also may submit a proxy electronically over the Internet or by telephone. We have provided instructions on the proxy card for using these convenient services. Submitting a proxy will not prevent you from voting your shares via the Virtual Special Meeting Website if you subsequently choose to attend the Special Meeting via the Virtual Special Meeting Website. Your proxy may be revoked at any time before the vote at the Special Meeting by following the procedures outlined in the accompanying proxy statement. If you attend the Special Meeting and vote via the Virtual Special Meeting Website, your vote will revoke any proxy that you have previously submitted. **We cannot complete the Merger unless the proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger) is approved by a majority of the outstanding shares of common stock entitled to vote on such matter at the Special Meeting as of [•], 2021, the record date for 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. Please note that any abstention or other failure to vote your shares will have the same effect as a vote "AGAINST" the proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger).**

If you hold your shares in "street name" through a broker, bank, trustee or other nominee, you should instruct your broker, bank, trustee or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your broker, bank, trustee or other nominee. **Your broker, bank, trustee or other nominee cannot vote on the proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger) without your instructions. Without those instructions, your shares will not be voted, which will have the same effect as a vote "AGAINST" the proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger).**

The accompanying proxy statement provides detailed information about the Special Meeting, the Merger Agreement and the Merger. In addition, you may obtain information about us from documents that we have filed with the Securities and Exchange Commission. See "Where You Can Find More Information" in the accompanying proxy statement. A copy of the Merger Agreement is attached as Annex A to the proxy statement. The proxy statement also describes the actions and determinations of the Special Committee and the Board in connection with their evaluation of the Merger Agreement and the Merger. I encourage you to read the proxy statement and its annexes, including the Merger Agreement, carefully and in their entirety, as they contain important information related to the Merger Agreement and the Merger.

If you have any questions or need assistance voting your shares, please contact the Company at:

AeroGrow International, Inc.
Attention: Senior Vice President of Finance and Administration
5405 Spine Road
Boulder, Colorado 80301
grey@aerogrow.com
(303) 444-7755

On behalf of the Company, I thank you for your continued support and appreciate your consideration of this matter.

Sincerely,

J. Michael Wolfe
President and Chief Executive Officer

The accompanying proxy statement is dated [•], 2021 and, together with the enclosed form of proxy card, is first being mailed to stockholders on or about [•], 2021.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, passed upon the merits or fairness of the Merger Agreement or the transactions contemplated thereby, including the proposed Merger, or passed upon the adequacy or accuracy of the information contained in the accompanying proxy statement. Any representation to the contrary is a criminal offense.

PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION, DATED DECEMBER 3, 2020

AeroGrow International, Inc.
5405 Spine Road
Boulder, Colorado 80301

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held [•], 2021

To the Stockholders of AeroGrow International, Inc.:

Notice is hereby given that a special meeting of the stockholders (the "Special Meeting") of AeroGrow International, Inc., a Nevada corporation (the "Company," "we," "us," or "our"), will be held on [•], 2021, at [•], Mountain Time. The Special Meeting will be held exclusively online via live webcast and can be accessed by visiting www.virtualshareholdermeeting.com/AERO2021SM (the "Virtual Special Meeting Website"), where you will be able to attend the Special Meeting, vote and submit your questions during the Special Meeting. There will not be a physical meeting location.

The Special Meeting will be held to consider and vote on a proposal to approve the Agreement and Plan of Merger (as it may be amended from time to time, the "Merger Agreement"), dated as of November 11, 2020, by and among the Company, SMG Growing Media, Inc., an Ohio corporation ("Parent"), AGI Acquisition Sub, Inc., a Nevada corporation and wholly-owned subsidiary of Parent ("Merger Sub" and, together with Parent, the "Purchaser Parties"), and, solely for the purposes stated in Section 6.4 of the Merger Agreement, The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro"), and the transactions contemplated thereby (including the Merger (as defined below)), relating to the proposed acquisition of the Company by Parent, a direct, wholly-owned subsidiary of Scotts Miracle-Gro (the "Merger Agreement Proposal"). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro. A copy of the Merger Agreement is attached as Annex A to the proxy statement.

Any action on the item of business described above may be considered at the Special Meeting or at any time and date to which the Special Meeting may be properly adjourned or postponed.

Only holders of record of our common stock, par value $0.001 per share (the "common stock"), as of the close of business on [•], 2021 (the "Record Date"), are entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof.

A list of stockholders of record will be available for inspection at our corporate headquarters located at 5405 Spine Road, Boulder, Colorado 80301, during ordinary business hours during the 10-day period before the Special Meeting.

The special committee (the "Special Committee") of the board of directors of the Company (the "Board"), consisting solely of independent and disinterested directors, evaluated the Merger Agreement and the Merger in

consultation with the Special Committee's legal and financial advisors and unanimously 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 Patricia M. Ziegler, Chris J. Hagedorn and Cory T. 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.

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 December 1, 2020, 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.

Your vote is very important, regardless of the number of shares that you own. Whether or not you plan to attend the Special Meeting via the Virtual Special Meeting Website, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope. You also may submit a proxy electronically over the Internet or by telephone. We have provided instructions on the proxy card for using these convenient services. Submitting a proxy will not prevent you from voting your shares via the Virtual Special Meeting Website if you subsequently choose to attend the Special Meeting via the Virtual Special Meeting Website. Your proxy may be revoked at any time before the vote at the Special Meeting by following the procedures outlined in the proxy statement. If you attend the Special Meeting and vote via the Virtual Special Meeting Website, your vote will revoke any proxy that you have previously submitted. **We cannot complete the Merger unless the Merger Agreement Proposal is approved by a majority of the outstanding shares of common stock entitled to vote on such matter at the Special Meeting as of the Record Date. 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. Please note that any abstention or other failure to vote your shares will have the same effect as a vote "AGAINST" the Merger Agreement Proposal.**

If you hold your shares in "street name" through a broker, bank, trustee or other nominee, you should instruct your broker, bank, trustee or other nominee how to vote your shares in accordance with the voting

instruction form that you will receive from your broker, bank, trustee or other nominee. **Your broker, bank, trustee or other nominee cannot vote on the Merger Agreement Proposal without your instructions. Without those instructions, your shares will not be voted, which will have the same effect as a vote "AGAINST" the Merger Agreement Proposal.**

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 consideration prescribed under the Merger Agreement, obtain payment of the fair value (as defined in Nevada Revised Statutes 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 Nevada law, which are summarized in the proxy statement and reproduced in their entirety in Annex C to the proxy statement.

You are encouraged to read the proxy statement and its annexes, including all documents incorporated by reference into the proxy statement, carefully and in their entirety. If you have any questions concerning the Merger, the Special Meeting or the proxy statement, would like additional copies of the accompanying proxy statement or need help voting your shares, please contact the Company at:

AeroGrow International, Inc.
Attention: Senior Vice President of Finance and Administration
5405 Spine Road
Boulder, Colorado 80301
grey@aerogrow.com
(303) 444-7755

Whether or not you plan to attend the Special Meeting via the Virtual Special Meeting Website, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope. You also may submit a proxy electronically over the Internet or by telephone. Submitting a proxy will not prevent you from voting your shares via the Virtual Special Meeting Website if you subsequently choose to attend the Special Meeting via the Virtual Special Meeting Website. Your proxy may be revoked at any time before the vote at the Special Meeting by following the procedures outlined in the proxy statement.

By Order of the Board of Directors,

J. Michael Wolfe
President and Chief Executive Officer

Dated: [•], 2021

The accompanying proxy statement is dated [•], 2021 and, together with the enclosed form of proxy card, is first being mailed to stockholders on or about [•], 2021.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, passed upon the merits or fairness of the Merger Agreement or the transactions contemplated thereby, including the proposed Merger, or passed upon the adequacy or accuracy of the information contained in the accompanying proxy statement. Any representation to the contrary is a criminal offense.

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PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION, DATED DECEMBER 3, 2020

This proxy statement contains information related to a special meeting of the stockholders (the "Special Meeting") of AeroGrow International, Inc., a Nevada corporation ("AeroGrow," the "Company," "we," "us," or "our"), to be held on [●], 2021, at [●], Mountain Time. The Special Meeting is scheduled to be held exclusively online via live webcast. There will not be a physical meeting location. The Special Meeting can be accessed by visiting www.virtualshareholdermeeting.com/AERO2021SM (the "Virtual Special Meeting Website"), where you will be able to attend the Special Meeting, vote and submit your questions during the Special Meeting. Please note 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.

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by the board of directors of the Company (the "Board") for use at the Special Meeting. At the Special Meeting you will be asked to consider and vote on a proposal to approve the Agreement and Plan of Merger (as it may be amended from time to time, the "Merger Agreement"), dated as of November 11, 2020, by and among the Company, SMG Growing Media, Inc., an Ohio corporation ("Parent"), AGI Acquisition Sub, Inc., a Nevada corporation and wholly-owned subsidiary of Parent ("Merger Sub" and, together with Parent, the "Purchaser Parties"), and, solely for the purposes stated in Section 6.4 of the Merger Agreement, The Scotts Miracle-Gro Company, an Ohio corporation ("Scotts Miracle-Gro"), and the transactions contemplated thereby (including the Merger (as defined below)), relating to the proposed acquisition of the Company by Parent, a direct, wholly-owned subsidiary of Scotts Miracle-Gro (the "Merger Agreement Proposal"). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro. A copy of the Merger Agreement is attached as Annex A to the proxy statement.

This proxy statement is dated [●], 2021 and, together with the enclosed form of proxy card, is first being mailed to stockholders on or about [●], 2021.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger, passed upon the merits or fairness of the Merger Agreement or the transactions contemplated thereby, including the proposed Merger, or passed upon the adequacy or accuracy of the information contained in the accompanying proxy statement. Any representation to the contrary is a criminal offense.

SUMMARY TERM SHEET

This summary term sheet, together with the following section entitled "Questions and Answers," highlights selected information from this proxy statement, including with respect to the Merger Agreement and the transactions contemplated thereby (including the Merger), and may not contain all of the information that may be important to you. To understand the Merger more fully and for a more complete description of the legal terms of the Merger and the Merger Agreement, you should carefully read this entire proxy statement, the annexes to this proxy statement and the documents that we refer to, or incorporate by reference, in this proxy statement. Each item in this summary term sheet includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under "Where You Can Find More Information" beginning on page 135. The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement, which is the legal document that governs the Merger, carefully and in its entirety.

Parties Involved in the Merger (Page 27)

AeroGrow International, Inc.

AeroGrow is a Nevada corporation. AeroGrow is a developer, marketer, direct-seller, and wholesaler of advanced indoor garden systems designed for consumer use and priced to appeal to the gardening, cooking, healthy eating, and home and office decor markets. We offer multiple lines of proprietary indoor gardens, grow lights, a patented nutrient formula, more than 40 corresponding proprietary seed pod kits, and various cooking, gardening and decor accessories, primarily in the United States and Canada, as well as selected countries in Europe. Please see "Where You Can Find More Information" beginning on page 135 for additional information regarding us.

Our common stock is listed on The OTCQB Marketplace operated by OTC Markets Group Inc. ("OTCQB") under the symbol "AERO."

Our principal executive office is located at 5405 Spine Road, Boulder, Colorado 80301, and our telephone number is (303) 444-7755.

The Scotts Miracle-Gro Company

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, plant 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 the Monsanto Company, a subsidiary of Bayer AG ("Monsanto"), 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 New York Stock Exchange (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.

SMG Growing Media, Inc.

Parent is an Ohio corporation 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.

AGI Acquisition Sub, Inc.

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.

Each of the Purchaser Parties is an affiliate of Scotts Miracle-Gro. As of December 1, 2020, 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. See "Other Important Information Regarding the Purchaser Parties and Scotts Miracle-Gro" beginning on page 120.

Special Factors (Page 27)

Merger Consideration (Page 28)

Upon completion of the Merger, the Company will cease to be a publicly traded company and at the effective time of the Merger (the "Effective Time") each share of common stock (other than Excluded Shares and Dissenting Shares (each as defined in "Special Factors—Merger Consideration" beginning on page 28)) 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 (the "Merger Consideration"), and will cease to be outstanding, will be cancelled and will cease to exist.

Following the completion of the Merger, 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 and in accordance with Nevada Revised Statutes ("NRS") 92A.300 through NRS 92A.500, inclusive, (as described in "Special Factors—Dissenter's Rights" beginning on page 79), who will instead have the rights available pursuant to those statutes).

Treatment of Equity Awards (Page 64)

The Company has no outstanding equity awards.

Background of the Merger (Page 28)

A description of the background of the Merger, including our discussions with the Purchaser Parties and Scotts Miracle-Gro, is included in "Special Factors—Background of the Merger" beginning on page 28.

Recommendation of the Board and Reasons for the Merger; Fairness of the Merger (Page 43)

The special committee (the "Special Committee") of the Board evaluated the Merger Agreement and the Merger in consultation with the Special Committee's legal and financial advisors and unanimously 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.

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" beginning on page 43.

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

Position of the Purchaser Parties and Scotts Miracle-Gro as to the Fairness of the Merger (Page 50)

The Purchaser Parties and Scotts Miracle-Gro did not participate in the deliberations of the Special Committee or the Board regarding, or receive advice from the Company's legal or financial advisors as to, the fairness of the proposed Merger to the Company's unaffiliated stockholders. The Purchaser Parties and Scotts Miracle-Gro have not performed, or engaged a financial advisor to perform, any valuation or other analysis for the purpose of assessing the fairness of the Merger to the Company's unaffiliated stockholders. However, based on the knowledge and analysis by the Purchaser Parties and Scotts Miracle-Gro of available information regarding the Company, its business and the factors considered by, and the analysis and resulting conclusions of, the Board, as discussed in the section "Special Factors—Purpose and Reasons of the Company for the Merger" beginning on page 62, the Purchaser Parties and Scotts Miracle-Gro believe that the Merger is substantively and procedurally fair to the Company's unaffiliated stockholders.

Opinion of Stifel, Nicolaus & Company, Incorporated (Page 53 and Annex B)

At the November 10, 2020 meeting of the Special Committee, Stifel, Nicolaus & Company, Incorporated ("Stifel") rendered its oral opinion to the Special Committee, confirmed by the delivery of a written opinion dated November 11, 2020, that, subject to the qualifications, assumptions, exceptions and limitations set forth therein, the Merger Consideration to be paid by Parent under the Merger Agreement was fair, from a financial point of view, to the holders of shares of common stock of the Company, other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares.

The full text of Stifel's written opinion dated November 11, 2020, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. Stifel's opinion was provided for the use and benefit of the Special Committee (solely in its capacity as such) in its evaluation of the Merger. Stifel's opinion is limited solely to the fairness of the Merger Consideration to be paid by Parent under the Merger Agreement, from a financial point of view, to the holders of the Company's common stock (other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares) and does not address the Company's underlying business decision to effect the Merger or the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available to the Company. Stifel's opinion does not constitute a recommendation as to how any holder of securities should vote or act with respect to the Merger or any other matter.

For a more complete description and additional information, see the section entitled "Special Factors—Opinion of Stifel, Nicolaus & Company, Incorporated" beginning on page 53 and Annex B to this proxy statement.

Purpose and Reasons of the Company for the Merger (Page 62)

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 "Special Factors—Recommendation of the Board and Reasons for the Merger; Fairness of the Merger" beginning on page 43.

Purpose and Reasons of the Purchaser Parties and Scotts Miracle-Gro for the Merger (Page 62)

Under the Securities and Exchange Commission (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 Securities Exchange Act of 1934, as amended (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 and 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, those set forth in "Special Factors—Purpose and Reasons of the Purchaser Parties and Scotts Miracle-Gro for the Merger" beginning on page 62.

The transaction has been structured as a cash merger to provide the Company's unaffiliated security holders 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.

Certain Effects of the Merger (Page 63)

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 and as a

direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro. Following the completion of the Merger, 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 "Special Factors—Dissenter's Rights" beginning on page 79) who will instead have the rights available pursuant to those statutes). For a further discussion of the effects of the Merger, see "Special Factors—Certain Effects of the Merger" beginning on page 63.

Certain Effects on the Company if the Merger is Not Completed (Page 66)

If the Merger Agreement Proposal is not approved by the required vote of our stockholders, or if the Merger is not completed for any other reason, our stockholders will not receive any payment for their shares. Instead, we will remain an independent public company, 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. If the Merger is not completed, 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. For more details, see "Special Factors— Certain Effects on the Company if the Merger is Not Completed" beginning on page 66.

Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest (Page 71)

When considering the unanimous recommendation of 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. 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 Proposal 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. These interests include the following:

- the significant commercial relationships and loans among the Company and affiliates of 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 on 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 December 1, 2020, 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 continued rights to exculpation, indemnification and advancement of expenses and directors' and officers' liability insurance.

If the Merger Agreement Proposal is approved, the shares held by our directors and executive officers will be treated in the same manner as outstanding shares held by all other stockholders. For more information, see "Special Factors—Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest" beginning on page 71.

Intent to Vote in Favor of the Merger (Page 74)

As of the close of business on [●], 2021 (the "Record Date"), the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, [•] shares of common stock, or approximately [●]% 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 their shares on the Merger Agreement Proposal. However, the Proxy Holders (as defined in "Questions and Answers" beginning on page 17), 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 (Page 74)

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 December 1, 2020, 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 (Page 74)

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined in "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74) in exchange for such U.S. Holder's shares in the Merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the amount of cash that such U.S. Holder receives in the Merger (computed as if there were no applicable withholding taxes) and such U.S. Holder's adjusted tax basis in the shares surrendered in the Merger. Gain or loss realized generally must be calculated separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered pursuant to the Merger. A Non-U.S. Holder (as defined in "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74) generally will not be subject to U.S. federal income tax with respect to the exchange of shares for cash in the Merger, unless such Non-U.S. Holder has certain connections to the United States.

The determination of actual tax consequences of the Merger to a holder will depend on the holder's specific situation. For more information, see "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74. Holders of shares should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the Merger in light of their particular circumstances and any consequences arising under U.S. federal non-income tax laws or the laws of any state, local or foreign taxing jurisdiction.

Financing of the Merger (Page 77)

The consummation of the Merger is not subject to a financing condition. 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. See "Special Factors—Financing of the Merger" beginning on page 77.

Dissenter's Rights (Page 79)

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 NRS 92A.300 through NRS 92A.500, inclusive (the "Dissenter's Rights Statutes"), which are summarized in this proxy statement and 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.

A copy of the full text of the Dissenter's Rights Statutes is included as Annex C to this proxy statement. Failure to follow the procedures set forth in the Dissenter's Rights Statutes will result in the forfeiture of dissenter's rights. You are encouraged to read these provisions 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. Any stockholder who submits a proxy indicating a vote "**FOR**" the Merger Agreement Proposal will waive dissenter's rights unless, prior to the taking of the vote at the Special Meeting, the stockholder (1) revokes the proxy, if revocable, (2) 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 (3) otherwise complies with the Dissenter's Rights Statutes.

If you currently hold your shares in "street name" and wish to avoid loss of rights resulting from the registered owner's failure to follow the mandated procedural steps under the Dissenter's Rights Statutes, prior to the Record Date you may wish to instruct the registered owner of your shares (i.e., your broker, bank, trustee or other nominee) to transfer your security position in such shares to a direct registration system book-entry registered directly in your name on the Company's books with its transfer agent. Please contact your broker, bank, trustee or other nominee for further information.

Anticipated Date of Completion of the Merger (Page 82)

As of the date of this proxy statement, assuming timely satisfaction of necessary closing conditions, including the approval by our stockholders of the Merger Agreement Proposal, the Merger is expected to 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" beginning on page 108, many of which are outside of our control.

The Special Meeting of Stockholders (Page 85)

Date, Time and Place

The Special Meeting will be held on [●], 2021, at [●], Mountain Time. The Special Meeting is scheduled to be held exclusively online via live webcast and 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. Please note that you will not be able to attend the Special Meeting in person. Please have your 16-digit control number (which is included on your proxy card if you are a stockholder of record of shares of common stock or with your voting instruction card and voting instructions you received from your broker, bank, trustee or other nominee of your shares if you hold your shares of common stock in "street name") to join the Special Meeting. Instructions on how to attend and participate online are also posted online at www.proxyvote.com. 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

At the Special Meeting, we will ask stockholders to vote on the Merger Agreement Proposal.

Record Date; Shares Entitled to Vote

Holders of the outstanding shares of common stock as of the close of business on [●], 2021, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting.

As of the Record Date, there were [●] shares of our common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [●] shares of common stock, representing approximately [●]% of the outstanding shares of common stock.

Quorum

As of the Record Date, there were [●] shares of common stock outstanding and entitled to vote 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. Abstentions will be counted as present for the purpose of determining whether a quorum is present, however "broker non-votes" (described in more detail below in "—Voting of Proxies" beginning on page 10), if any, will not be counted as present for the purpose of determining whether a quorum is present at the Special Meeting.

Vote Required

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 [●] shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [●] shares of common stock, representing approximately [●]% 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" beginning on page 74. The failure of any stockholder to vote their shares, abstentions, and broker non-votes, if any, will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

Each share of common stock is entitled to one vote per share.

Voting of Proxies

Any stockholder of record entitled to vote at the Special Meeting may submit a proxy by returning a signed proxy card by mail in the accompanying prepaid reply envelope or granting a proxy electronically over the Internet or by telephone, or may vote via the Virtual Special Meeting Website at the Special Meeting. If you are a beneficial owner and hold your shares in "street name" through a broker, bank, trustee or other nominee, you should instruct your broker, bank, trustee or other nominee on how you wish to vote your shares using the instructions provided by your broker, bank, trustee or other nominee. Under applicable stock exchange rules, brokers, banks, trustees and other nominees have the discretion to vote on routine matters. The Merger Agreement Proposal is a non-routine matter, and brokers, banks, trustees and other nominees cannot vote on the Merger Agreement Proposal without your instructions. As a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as "broker non-votes." Broker non-votes, if any, will not be treated as shares that are present at the Special Meeting for purposes of determining whether a quorum exists and will have the same effect as votes "**AGAINST**" 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. **Therefore, it is important that you cast your vote or instruct your broker, bank, trustee or other nominee on how you wish to vote your shares.**

All shares represented by properly executed proxies received in time for the Special Meeting will be voted at the Special Meeting in the manner specified by the proxy holders. Properly executed proxies that do not contain voting instructions will be voted "**FOR**" the Merger Agreement Proposal.

Shares represented at the Special Meeting but not voted, including shares for which proxies have been received but for which stockholders have abstained, will be treated as present at the Special Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Only shares affirmatively voted for the Merger Agreement Proposal, including properly executed proxies that do not contain specific voting instructions, will be counted "**FOR**" that proposal.

If you abstain from voting, it will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

If you do not execute a proxy card, it will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

Revocability of Proxies

If you are a stockholder of record on the Record Date, you may change your vote or revoke your proxy at any time before it is voted at the Special Meeting by: (i) signing another proxy card with a later date and returning it to us prior to the Special Meeting; (ii) submitting a new proxy electronically over the Internet or by telephone after the date of the earlier submitted proxy; (iii) delivering a written notice of revocation to our Secretary at 5405 Spine Road, Boulder, Colorado 80301; or (iv) 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).

If you hold your shares in "street name," you should contact your broker, bank, trustee or other nominee for instructions regarding how to change your vote. You may also vote at the Special Meeting via the Virtual Special Meeting Website if you obtain a valid proxy from your broker, bank, trustee or other nominee.

The Merger Agreement (Page 91)

A summary of the material provisions of the Merger Agreement, which is attached as Annex A to this proxy statement and incorporated by reference herein, is described under "The Merger Agreement" beginning on page 91. Among other things, the Merger Agreement includes the following terms:

Acquisition Proposals; Change of Recommendation (Page 100)

Under the Merger Agreement, except as provided therein, the Company must not, and must direct its 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 (as defined in "The Merger Agreement—Covenants and Agreements— Acquisition Proposals; Change of Recommendation" beginning on page 100);
- 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;
- 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 (as defined in "The Merger Agreement—Covenants and Agreements— Acquisition Proposals; Change of Recommendation" beginning on page 100);
- 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.

However, subject to certain requirements regarding confidentiality and providing certain notifications, information and materials to Parent, prior to obtaining 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"), in response to an unsolicited, *bona fide* written Acquisition Proposal, the Company (only through the Special Committee and its representatives) may:

- 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, subject to certain exceptions;
- 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); and
- 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 (as defined in "The Merger Agreement—Covenants and Agreements— Acquisition Proposals; Change of Recommendation" beginning on page 100) 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.

Parent has advised the Special Committee that it will not vote any shares of common stock beneficially owned by the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned by them in favor of approval of any Acquisition Proposal. As of the Record Date, there were [●] shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [●] shares of common stock, representing approximately [●]% of the outstanding shares of common stock, which is sufficient to disapprove any Acquisition Proposal. Therefore, the Company believes it is unlikely that any Acquisition Proposal will be received by the Company.

Except as provided in the Merger Agreement, none of the Board, the Special Committee or any other committee of the Board may:

- withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify) the Board's recommendation that the holders of shares of common stock vote affirmatively at the Special Meeting to approve the Merger Agreement and the Merger (the "Company Recommendation"), in a manner adverse to Parent;
- fail to include the Company Recommendation in the Company's proxy statement relating to the Special Meeting;
- 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 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) 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").

However, prior to obtaining the Requisite Company Vote, 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 advance written notice that the Special Committee intends to convene a meeting to consider or take any other action with respect to making such Change in Recommendation, together with a reasonably detailed

description of the Superior Proposal, at the least four business days in advance of convening such meeting of the Special Committee or taking such other action (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 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, 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 directors under applicable law.

Governmental and Regulatory Approvals (Page 78)

There are no governmental approvals needed to effectuate the Merger or consummate the other transactions contemplated by the Merger Agreement.

Subject to certain exceptions, the Company and Parent are required to cooperate with each other and 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 after the date of the Merger Agreement, including preparing and filing, as promptly as practicable after the date of the Merger Agreement, 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 after the date of the Merger Agreement, 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.

Conditions to Completion of the Merger (Page 108)

The respective obligations of each party to consummate the Merger are subject to the satisfaction or waiver of the following customary conditions:

- the Requisite Company Vote having been obtained at the Special Meeting;
- the absence of certain orders or laws enjoining, preventing or otherwise prohibiting, restraining or making unlawful the consummation of the Merger and the other transactions contemplated by the Merger Agreement; and
- the obtainment or occurrence, as the case may be, of 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 without the imposition of any material condition thereto, subject to certain exceptions.

The Merger Agreement provides that 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 made by us in the Merger Agreement is true and correct at and as of the date of the Merger Agreement and as of the date on which the closing of the transactions contemplated by the Merger Agreement (the "Closing") actually occurs (the "Closing Date"), subject to certain exceptions (including material adverse effect qualifications regarding their accuracy and matters

contained in any confidential disclosure schedule delivered to Parent by the Company prior to or concurrently with the execution and delivery of the Merger Agreement (the "Company Disclosure Schedule"));

- we have performed or complied in all material respects with our agreements and covenants required by the Merger Agreement to be performed or complied with by us on or prior to the Effective Time;
- since the date of the Merger Agreement, there has not occurred any event, change development, circumstance, fact or effect that has had or would reasonably be expected to have a Material Adverse Effect (as defined in "The Merger Agreement—Material Adverse Effect Definitions" beginning on page 96);
- we have delivered to Parent a certificate signed on our behalf by our Chief Executive Officer certifying that conditions set forth in the foregoing three bullets have been satisfied; and
- we have delivered certain Foreign Investment in Real Property Tax Act certifications and notifications to Parent and the Internal Revenue Service, as applicable.

The Merger Agreement provides that 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 in the Merger Agreement is true and correct at and as of the date of the Merger Agreement and as of the Closing Date, subject to certain exceptions (including material adverse effect qualifications regarding their accuracy);
- each of Parent and Merger Sub has performed or complied 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; and
- Parent has delivered to us a certificate signed on behalf of Parent and Merger Sub by an executive officer of Merger Sub certifying that the conditions set forth in the foregoing two bullets have been satisfied.

For more information, please see "The Merger Agreement—Conditions to Completion of the Merger" beginning on page 108.

Termination of the Merger Agreement (Page 110)

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, in each case, subject to certain exceptions, if:

- the Merger is not consummated by 5:00 p.m. local time on March 31, 2021 (the "Outside Date"); or
- any order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger has become final and non-appealable.

The Merger Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned by the Company, in each case, subject to certain exceptions, 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 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 is either not curable prior to the Outside Date or has not been cured within the earlier of (i) 30 days of written notice thereof and (ii) three business days prior to the Outside Date; or

- prior to the time the Requisite Company Vote is obtained, following a Change of Recommendation, but only if (i) we are not then in breach of our 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 the Merger Agreement may be abandoned by Parent, if:

- subject to certain exceptions, we have breached any representation, warranty, covenant or agreement made by us in the Merger Agreement, or if any representation or warranty made by us has become untrue, in each case, such that the conditions to Parent's obligation to effect the Merger would not be satisfied and such breach is either not curable prior to the Outside Date or has not been cured within the earlier of (i) 30 days of written notice thereof and (ii) three business days prior to the Outside Date; or
- following a Change of Recommendation, if the Requisite Company Vote has not yet been obtained at the Special Meeting.

Specific Performance (Page 111)

In the event of breach or violation or threatened breach or violation of the provisions of the Merger Agreement, the non-breaching party will be entitled (in addition to any other remedy that may be available to it whether in law or equity, including monetary damages) to specific performance and the issuance of injunctive and other equitable relief without the necessity of proving the inadequacy of money damages as a remedy.

Market Price of the Company's Common Stock and Dividends (Page 116)

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 [●], 2021, the most recent practicable date before this proxy statement was mailed to our stockholders, the closing price of our common stock on the OTCQB was $[●] per share. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares.

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" beginning on page 125). 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.

Deregistration of AeroGrow Common Stock (Page 83)

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.

Where You Can Find More Information (Page 135)

You can find more information about us in the periodic reports and other information we file with the SEC. The information is available, free of charge, on the SEC's website at *www.sec.gov*. In addition, you may obtain free copies of the documents we file with the SEC by going to our Internet website at *www.aerogrow.com*. Our Internet website address is provided as an inactive textual reference only. The information provided on our Internet website is not part of this proxy statement and, therefore, is not incorporated herein by reference. For a more detailed description of the additional information available, see "Where You Can Find More Information" beginning on page 135.

QUESTIONS AND ANSWERS

The following questions and answers address some commonly asked questions regarding the Merger, the Merger Agreement and the Special Meeting. These questions and answers may not address all questions that may be important to you. We encourage you to read carefully the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents we refer to, or incorporate by reference, in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in "Where You Can Find More Information" beginning on page 135.

Q: Why am I receiving this proxy statement and proxy card or voting instruction form?

A: On November 11, 2020, the Company entered into the Merger Agreement providing for the merger of Merger Sub, a direct, wholly-owned subsidiary of Parent, with and into the Company, with the Company surviving the Merger as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro. You are receiving this proxy statement and form of proxy card or voting instruction form in connection with the solicitation of proxies by the Board in favor of the Merger Agreement Proposal. This proxy statement describes the Merger Agreement Proposal on which we urge you to vote and is intended to assist you in deciding how to vote your shares with respect to the Merger Agreement Proposal.

Q: What is the proposed transaction?

A: The proposed transaction is the merger of Merger Sub with and into the Company pursuant to the Merger Agreement. Following the Effective Time, the Company would be privately held as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of Scotts Miracle-Gro.

Q: What will I receive in the Merger?

A: If the Merger is completed, you will be entitled to receive $3.00 in cash, without interest and subject to any required withholding of taxes, for each share of our common stock that you own (unless you have properly preserved, demanded and perfected your dissenter's rights pursuant to the Dissenter's Rights Statutes). For example, if you own 100 shares of common stock at the Effective Time and do not assert dissenter's rights, you will be entitled to receive $300 in cash in exchange for your shares of common stock, without interest and subject to any required withholding of taxes. You will not be entitled to receive shares in the surviving corporation or in Parent.

Q: What will the holders of the Company's equity awards receive in the Merger?

A: The Company has no outstanding equity awards.

Q: Where and when is the Special Meeting?

A: The Special Meeting will take place on [●], 2021, at [●], 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 [●], 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

Q: May I attend the Special Meeting and vote via the Virtual Special Meeting Website? What do I need in order to be able to attend the Special Meeting online?

A: Yes. All stockholders of record as of the Record Date or their duly authorized proxies may attend the Special Meeting and vote via the Virtual Special Meeting Website. Beneficial owners of shares are invited to attend the Special Meeting via the Virtual Special Meeting Website.

The Special Meeting will be held via live webcast only. Any stockholder can attend the Special Meeting live online at www.virtualshareholdermeeting.com/AERO2021SM. The webcast will start at [●], Mountain Time on [●], 2021. Stockholders may vote and submit questions while attending the Special Meeting online. In order to be able to enter the Special Meeting, you will need the 16-digit control number, which is included on your proxy card if you are a stockholder of record of shares of common stock or included with your voting instruction card and voting instructions you received from your broker, bank, trustee or other nominee of your shares if you hold your shares of common stock in "street name." Instructions on how to attend and participate online are also posted online at www.proxyvote.com.

Even if you plan to attend the Special Meeting via the Virtual Special Meeting Website, to ensure that your shares will be represented at the Special Meeting, we encourage you to sign, date and return the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy prior to the Special Meeting electronically over the Internet at www.proxyvote.com or by telephone at 1-800-690-6903. If you attend the Special Meeting and vote via the Virtual Special Meeting Website, your vote will revoke any proxy previously submitted by you with respect to the shares you vote via the Virtual Special Meeting Website.

If you hold your shares in "street name," you should instruct your broker, bank, trustee or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your broker, bank, trustee or other nominee. Your broker, bank, trustee or other nominee cannot vote on the Merger Agreement Proposal without your instructions. If you hold your shares in "street name," you may not vote your shares via the Virtual Special Meeting Website at the Special Meeting unless you obtain a valid proxy from your broker, bank, trustee or other nominee.

Q: Who is entitled to vote at the Special Meeting?

A: Holders of the outstanding shares of common stock as of the Record Date are entitled to notice of, and to vote at, the Special Meeting. Each share of common stock is entitled to one vote per share.

Q: What matter will be voted on at the Special Meeting?

A: You will be asked to consider and vote on a proposal to approve the Merger Agreement and the transactions contemplated thereby (including the Merger).

Q: What vote of our stockholders is required to approve the Merger Agreement Proposal?

A: 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 [●] shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [●] shares of common stock, representing approximately [●]% 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" beginning on page 74. In addition, under the Merger Agreement, the receipt of approval of the Merger Agreement Proposal is a condition to the consummation 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. 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.

Q: How will Parent vote the shares of common stock it holds?

A: 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 December 1, 2020, 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.

Q: Why am I not being asked to cast a vote to approve, on a non-binding, advisory basis, any agreements or understandings and compensation that will or may be paid by the Company to its named executive officers in connection with the Merger?

A: SEC rules would require us to seek a non-binding, advisory vote to approve any agreements or understandings and compensation that will or may be paid by us to our named executive officers in connection with the Merger. However, consummation of the Merger will not trigger any such compensation because our named executive officers do not have any outstanding equity awards, the Employment Agreements (as defined in "Special Factors—Interests of the Company's Directors and Executive Officers in the Merger—Employment Agreements" beginning on page 72) do not provide for any payments upon a change in control of the Company and any amounts payable pursuant to the Retention Memorandum and the Severance Policy (each as defined in "Special Factors—Interests of the Company's Directors and Executive Officers in the Merger—Retention Program and Severance Policy" beginning on page 73) are not based on and do not otherwise relate to the Merger. Accordingly, there is no compensation that will or may be paid by us to our named executive officers in connection with the Merger and, therefore, we are not asking our stockholders to approve any such compensation.

Q: How many votes am I entitled to cast for each share that I own?

A: Each share of common stock is entitled to one vote per share.

Q: What is a quorum?

A: A quorum is necessary to hold a valid Special Meeting. A quorum will be present if a majority of the shares of common stock entitled to vote at the Special Meeting are represented via the Virtual Special Meeting Website or by proxy, regardless of whether the proxy has authority to vote on the Merger Agreement Proposal. If a quorum is not present at the Special Meeting, the Special Meeting may be adjourned or postponed from time to time until a quorum is obtained.

If you submit a proxy but abstain or fail to provide voting instructions on the proposal listed on the proxy card, your shares will be counted for the purpose of determining whether a quorum is present at the Special Meeting.

If your shares are held in "street name" by your broker, bank, trustee or other nominee and you do not tell your broker, bank, trustee or other nominee how to vote your shares, these shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the Special Meeting.

Q: How does the Board recommend that I vote?

A: The Board unanimously recommends that our stockholders vote "**FOR**" the Merger Agreement Proposal.

Q: Why is the Board recommending that I vote "FOR" the Merger Agreement Proposal?

A: The Special Committee, consisting solely of independent and disinterested directors, evaluated the Merger Agreement and the Merger in consultation with the Special Committee's legal and financial advisors and unanimously 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. 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" beginning on page 43.

Q: What effects will the Merger have on the Company?

A: Our common stock is currently registered under the Exchange Act and is quoted on the OTCQB under the symbol "AERO." As a result of the Merger, the Company will cease to be a publicly traded company and will be directly wholly-owned by Parent and indirectly wholly-owned by Scotts Miracle-Gro. Following the consummation of the Merger, the registration of our common stock and our reporting obligations under the Exchange Act will be terminated. In addition, upon the consummation of the Merger, our common stock will no longer be listed on any stock exchange or quotation system, including OTCQB.

Q: What happens if the Merger is not consummated?

A: 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 and 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.

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 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.

Q: What do I need to do now? How do I vote my shares?

A: We urge you to read this proxy statement carefully, including its annexes and the documents referred to, or incorporated by reference, in this proxy statement, and to consider how the Merger affects you. Your vote is important. If you are a stockholder of record (*i.e.*, if your shares are registered in your name with EQ Shareowner Services, our transfer agent), there are four ways to vote:

- by signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope;
- by visiting the Internet at the address on your proxy card;
- by calling toll-free (within the U.S. or Canada) the phone number on your proxy card; or
- by 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).

A 16-digit control number, located on your proxy card, is designed to verify your identity and confirm that your voting instructions have been properly recorded when voting electronically over the Internet or by telephone. Please be aware that, although there is no charge for voting your shares, if you vote electronically over the Internet or by telephone, you may incur costs such as Internet access and telephone charges for which you will be responsible.

To vote your shares during the Special Meeting, click on the vote button provided on the screen and follow the instructions provided. If you encounter any difficulties accessing the Special Meeting during the check-in or Special Meeting time, please call the technical support number that will be posted on the log in page.

Even if you plan to attend the Special Meeting via the Virtual Special Meeting Website, you are strongly encouraged to vote your shares by proxy. If you are a record holder or if you obtain a valid proxy to vote shares that you beneficially own, you may still vote your shares at the Special Meeting via the Virtual Special Meeting Website even if you have previously voted by proxy. If you are present at the Special Meeting and vote via the Virtual Special Meeting Website, your previous vote by proxy will not be counted.

If your shares are held in "street name" through a broker, bank, trustee or other nominee, you may vote through your broker, bank, trustee or other nominee by completing and returning the voting form provided by your broker, bank, trustee or other nominee, or, if such a service is provided by your broker, bank, trustee or other nominee, electronically over the Internet or by telephone. To vote over the Internet or by telephone through your broker, bank, trustee or other nominee, you should follow the instructions on the voting form provided by your broker, bank, trustee or other nominee. Your broker, bank, trustee or other nominee cannot vote on the Merger Agreement Proposal without your instructions. If you hold your shares in "street name," you may not vote your shares at the Special Meeting via the Virtual Special Meeting Website unless you obtain a valid proxy from your broker, bank, trustee or other nominee.

Q: What happens if I do not vote?

A: The vote on the Merger Agreement Proposal is based on the total number of outstanding shares of common stock entitled to vote at the Special Meeting as of the Record Date, not just the shares that are voted. If you do not vote, it will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. If you hold your shares in certificated form and in your name as a stockholder of record, then shortly after the Merger is completed, you will receive a letter of transmittal from the paying agent for the Merger with detailed written instructions for exchanging your shares for the Merger Consideration. If your shares are held in "street name" by your broker, bank, trustee or other nominee, you may receive instructions from your broker, bank, trustee or other nominee as to what action, if any, you need to take to effect the surrender of your "street name" shares in exchange for the Merger Consideration. Do not send in your certificates, if any, now or with your proxy card.

Q: I hold my shares in certificated form but do not know where my stock certificate is—how will I get the Merger Consideration for my shares?

A: If the Merger is completed, the transmittal materials you will receive after the completion of the Merger will include the procedures that you must follow if you cannot locate your stock certificate, including signing an affidavit attesting to the loss of your stock certificate. The paying agent may also require that you provide a bond in customary amount or an indemnity agreement to cover any potential loss.

Q: What happens if I sell my shares before completion of the Merger?

A: If you transfer your shares, you will have transferred your right to receive the Merger Consideration in the Merger. In order to receive the Merger Consideration, you must hold your shares through completion of the Merger.

The Record Date for stockholders entitled to vote at the Special Meeting is earlier than the consummation of the Merger. If you transfer your shares after the Record Date but before the closing of the Merger, you will have transferred your right to receive the Merger Consideration in the Merger, but retained the right to vote at the Special Meeting.

Q: Am I entitled to exercise dissenter's rights instead of receiving the Merger Consideration for my shares?

A: Yes. Under Nevada law, holders of common stock are entitled to assert dissenter's rights in connection with the Merger, but only if they comply with all requirements of the Dissenter's Rights Statutes, which are summarized in this proxy statement. 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. 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. A copy of the full text of the Dissenter's Rights Statutes is included as Annex C to this proxy statement. Failure to follow the procedures set forth in the Dissenter's Rights Statutes will result in the forfeiture of dissenter's rights. You are encouraged to read these provisions 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. Any stockholder who submits a proxy indicating a vote "**FOR**" the Merger Agreement Proposal will waive dissenter's rights unless, prior to the taking of the vote at the Special Meeting, the stockholder (1) revokes the proxy, if revocable, (2) 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 (3) otherwise complies with the Dissenter's Rights Statutes. Failure to follow

exactly the procedures specified under the Dissenter's Rights Statutes will result in the forfeiture of dissenter's rights. Because of the complexity of the Nevada law relating to dissenter's rights, if you are considering exercising your dissenter's rights, we encourage you to seek the advice of your own legal counsel. For more information, see "Special Factors—Dissenter's Rights" beginning on page 79. In addition, a copy of the full text of the Dissenter's Rights Statutes is attached as Annex C to this proxy statement. You are encouraged to read these provisions carefully and in their entirety.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares are registered directly in your name with our transfer agent, EQ Shareowner Services, you are considered, with respect to those shares, to be the "stockholder of record." In this case, this proxy statement and your proxy card have been sent directly to you by the Company.

If your shares are held through a broker, bank, trustee or other nominee, you are considered the "beneficial owner" of shares held in "street name." In that case, this proxy statement has been forwarded to you by your broker, bank, trustee or other nominee who is considered, with respect to those shares, to be the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank, trustee or other nominee how to vote your shares by following their instructions for voting. You are also invited to attend the Special Meeting via the Virtual Special Meeting Website. However, because you are not the stockholder of record, you may not vote your shares at the Special Meeting via the Virtual Special Meeting Website unless you obtain a valid proxy from your broker, bank, trustee or other nominee.

Q: If my broker holds my shares in "street name," will my broker vote my shares for me?

A: No. Your broker, bank, trustee or other nominee is permitted to vote your shares on the Merger Agreement Proposal only if you instruct your broker, bank, trustee or other nominee how to vote. You should follow the procedures provided by your broker, bank, trustee or other nominee to vote your shares. Without instructions, your shares will not be voted on the Merger Agreement Proposal, which will have the same effect as a vote "**AGAINST**" the Merger Agreement Proposal.

Q: What is a proxy?

A: A proxy is your legal designation of another person, which we refer to as a "proxy holder," to vote your shares. The written document describing the matter to be considered and voted on at the Special Meeting is called a "proxy statement." The document used to designate a proxy to vote your shares is called a "proxy card." J. Michael Wolfe, our President and Chief Executive Officer, and Grey H. Gibbs, our Senior Vice President of Finance and Administration, are the proxy holders for the Special Meeting, with full power of substitution (together, the "Proxy Holders").

Q: Can I revoke my proxy?

A: Yes. You can revoke your proxy at any time before the vote is taken at the Special Meeting. If you are a stockholder of record, you may revoke your proxy by notifying the Company's Secretary in writing at 5405 Spine Road, Boulder, Colorado 80301, or by submitting a new proxy by telephone, the Internet or mail, in each case, dated after the date of the proxy being revoked. In addition, you may revoke your proxy by 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). Please note that if you hold your shares in "street name" and you have instructed a broker, bank, trustee or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank, trustee or other nominee to revoke your voting instructions.

Q: If a stockholder gives a proxy, how are the shares voted?

A: Regardless of the method you use to vote, the proxy holders will vote your shares in the way that you indicate. When completing the Internet or telephone process or the proxy card, you may specify whether your shares should be voted "**FOR**," "**AGAINST**" or "**ABSTAIN**" from voting on the Merger Agreement Proposal.

If you properly sign your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted "**FOR**" the Merger Agreement Proposal.

Q: How are votes counted?

A: For the Merger Agreement Proposal, you may vote "**FOR**," "**AGAINST**" or "**ABSTAIN**." Abstentions and broker non-votes, if any, will have the same effect as votes "**AGAINST**" 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.

Q: What should I do if I receive more than one set of voting materials?

A: Please sign, date and return (or grant your proxy electronically over the Internet or by telephone) each proxy card and voting instruction card that you receive.

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card.

Q: Who will solicit and pay the cost of soliciting proxies?

A: 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.

Q: Where can I find the voting results of the Special Meeting?

A: We intend to publish the final voting results of the Special Meeting in a Current Report on Form 8-K to be filed with the SEC within four business days after the Special Meeting. All reports that we file with the SEC are publicly available when filed. See "Where You Can Find More Information" beginning on page 135.

Q: Will I have to pay taxes on the Merger Consideration I receive?

A: The receipt of cash in exchange for shares pursuant to the Merger generally will be a taxable transaction for U.S. federal income tax purposes if you are a U.S. Holder (as defined in "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74). If you are a Non-U.S. Holder (as defined in "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74) the receipt of cash in exchange for shares pursuant to the Merger generally will not be a taxable transaction for U.S. federal income tax purposes, unless you have certain connections to the United States. You are urged to read "Special Factors—Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 74 for a more detailed discussion of the U.S. federal income tax consequences of the

Merger. Because individual circumstances may differ, you are urged to consult your own tax advisors regarding the particular tax consequences to you of the exchange of shares for cash, pursuant to the Merger, in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Q: What is householding and how does it affect me?

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received and only if the applicable stockholder provides advance notice and follows certain procedures.

In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received a householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

For more information, please see "Householding" beginning on page 134.

Q: When do you expect the Merger to be completed?

A: We are working toward completing the Merger as quickly as reasonably practicable. Assuming timely satisfaction of necessary closing conditions, including the approval by our stockholders of the Merger Agreement Proposal, we currently expect to complete the Merger 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" beginning on page 108, many of which are outside of our control.

Q: If the Merger is completed, how will I receive the cash for my shares?

A: If the Merger is completed and you are not exercising dissenter's rights and your shares are held in book-entry, the paying agent will issue and deliver to you a check or wire transfer for your shares without any further action on your part. If the Merger is completed and you are not exercising dissenter's rights, and you are a stockholder of record with your shares held in certificated form, you will receive a letter of transmittal with instructions on how to send your shares to the paying agent in connection with the Merger. The paying agent will issue and deliver to you a check or wire transfer for your shares after you comply with these instructions. **Please do not send your stock certificates with your proxy card.** See "The Merger Agreement—Exchange and Payment Procedures" beginning on page 94.

If the Merger is completed and you are not exercising dissenter's rights, and your shares are held in "street name" by your broker, bank, trustee or other nominee, you will receive instructions from your broker, bank, trustee or other nominee as to how to effect the surrender of, and receive payment for, your shares held in "street name."

Q: What happens if the market price of shares our common stock significantly changes before the Closing?

A: Parent is not obligated to change the Merger Consideration as a result of a change in the market price of our common stock.

Q: Do any of the Company's directors or officers have interests in the Merger that may differ from those of the Company's stockholders generally?

A: In considering the unanimous recommendation of each of the Special Committee and the Board with respect to 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. 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 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. For more information, see "Special Factors—Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest" beginning on page 71.

Q: Are there any other risks to me from the Merger that I should consider?

A: Yes. There are risks associated with all business combinations, including the Merger. For further details, see "Cautionary Note Regarding Forward-Looking Statements" beginning on page 84.

Q: Who can help answer my other questions?

A: If you have more questions about the Merger, require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact the Company at:

AeroGrow International, Inc.
Attention: Senior Vice President of Finance and Administration
5405 Spine Road
Boulder, Colorado 80301
grey@aerogrow.com
(303) 444-7755

If your broker, bank, trustee or other nominee holds your shares, you should also contact your broker, bank, trustee or other nominee for additional information.

SPECIAL FACTORS

This discussion of the Merger is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as Annex A. You should read the entire Merger Agreement carefully as it is the legal document that governs the Merger.

Parties Involved in the Merger

AeroGrow International, Inc.

AeroGrow is a Nevada corporation and a developer, marketer, direct-seller, and wholesaler of advanced indoor garden systems designed for consumer use and priced to appeal to the gardening, cooking, healthy eating, and home and office decor markets. We offer multiple lines of proprietary indoor gardens, grow lights, a patented nutrient formula, more than 40 corresponding proprietary seed pod kits, and various cooking, gardening and decor accessories, primarily in the United States and Canada, as well as selected countries in Europe. Please see "Where You Can Find More Information" for additional information regarding us.

Our common stock is listed on the OTCQB under the symbol "AERO."

Our principal executive office is located at 5405 Spine Road, Boulder, Colorado 80301, and our telephone number is (303) 444-7755.

The Scotts Miracle-Gro Company

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, plant 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.

SMG Growing Media, Inc.

Parent is an Ohio corporation and a direct, wholly-owned subsidiary of Scotts Miracle-Gro and serves as a holding company for Scotts Miracle-Gro's growing media and hydroponics business.

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

AGI Acquisition Sub, Inc.

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.

Merger Consideration

At the Effective Time, each share of common stock (other than (i) the shares of common stock owned by Parent and any shares of common stock owned by the Company (collectively, the "Excluded Shares") and (ii) each share 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 (a) immediately prior to the Effective Time is the holder of Dissenting Shares and (b) 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")) issued and outstanding immediately prior to the Effective Time (such shares of common stock, 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 share of stock representing Eligible Shares, will thereafter only represent the right to receive $3.00 in cash (the "Merger Consideration").

Background of the Merger

Background of the Merger

The Board, with input from AeroGrow's management team, regularly reviews AeroGrow's performance, prospects and strategy in light of current business and economic conditions, as well as developments in its industry. These regular reviews have, from time to time, included evaluation of potential opportunities for commercial arrangements, potential changes to the AeroGrow's strategy and strategic opportunities. The Board also regularly discusses and evaluates potential risks that AeroGrow faces in executing its current strategy, including, among other things, its dependence on sales through Amazon.com, Inc. ("Amazon"), its ability to market and sell its product offerings and the seasonality of its sales. The Board evaluates the benefits and risks of strategic alternatives based upon what they believe will create stockholder value, further AeroGrow's strategic objectives, and better serve, satisfy and grow AeroGrow's customer base.

Scotts Miracle-Gro has held a significant equity ownership interest in AeroGrow since 2013. In 2016, when Scotts Miracle-Gro increased its equity ownership interest in AeroGrow above 80% (on a fully diluted basis), the Board was reconstituted, with three members affiliated with Scotts Miracle-Gro (currently, Ms. Ziegler and Messrs. Hagedorn and Miller) and two independent directors (currently, Messrs. Clarke and Kent) comprising AeroGrow's current five-member Board.

At all relevant times during 2020, Scotts Miracle-Gro and its affiliates held 27,639,294 shares of our common stock (representing approximately 80.5% of the outstanding shares of common stock as of December 1, 2020). Affiliates of Scotts Miracle-Gro are also party to several agreements with AeroGrow, including the Brand License Agreement, the Technology License Agreement, the Supply Chain Services Agreement, the Collaboration Services Agreement and the 2020 Loan Agreement (each as defined and described in "Other Important Information Regarding the Purchaser Parties and Scotts Miracle-Gro—Significant Past Transactions and Contracts)".

Following a regularly scheduled in-person Board meeting on February 27, 2020, the Board, with all Board members present, met in executive session without representatives of AeroGrow's management present. The Board was joined by Peter Supron, Chief of Staff at Scotts Miracle-Gro and a former member of the Board, who was present at the invitation of the Board Chair, Mr. Hagedorn. Mr. Supron presented to the Board a proposed framework that included restructuring AeroGrow's operations by consolidating substantially all business operations into Scotts Miracle-Gro and reducing the number of AeroGrow's stockholders through a reverse stock

split in order to eliminate the expense associated with AeroGrow's public reporting obligations, possibly followed by a parent-subsidiary merger in which unaffiliated minority stockholder approval would not be required. As a result of the proposed consolidation of substantially all of AeroGrow's business operations with operations of Scotts Miracle-Gro (with or without a subsequent merger), AeroGrow's future revenues would come primarily from royalties on Scotts Miracle-Gro's sales of AeroGrow products. Mr. Supron indicated that the framework presented was designed to reduce AeroGrow's operational burdens and complexity, and consequently improve and stabilize AeroGrow's profitability. Mr. Supron postulated that the consummation of a reverse stock split would reduce the number of record stockholders to a number that would allow the common stock to (i) cease being quoted on the OTCQB and (ii) become eligible for termination of registration under the Exchange Act, which would reduce the operating and compliance costs that AeroGrow incurs as a result of being a publicly-traded and SEC-reporting company. Pursuant to the Scotts Miracle-Gro framework, if, after giving effect to the reverse stock split, any stockholders would hold fractional shares of common stock, AeroGrow would pay to such holders in exchange for their fractional shares an amount in cash based on the value of the common stock. Mr. Supron conveyed to the Board that Scotts Miracle-Gro would seek alignment from the non-Scotts Miracle-Gro affiliated Board members on the advisability of implementing its suggested operational adjustments and consummating a reverse stock split and recommended that the Board discuss the Scotts Miracle-Gro framework with independent legal counsel. Mr. Supron also noted that Scotts Miracle-Gro would be filing an amendment to their Schedule 13D with the SEC describing the proposed framework later on February 27, 2020 or on the morning of February 28, 2020.

During the meeting, members of the Board discussed the Scotts Miracle-Gro framework along with various alternatives, including the sale of all or part of AeroGrow or the potential for the repurchase of outstanding shares of AeroGrow common stock held by non-Scotts Miracle-Gro affiliates. The Board also asked Scotts Miracle-Gro to provide additional information, such as an analysis of the value of its proposal, and Scotts Miracle-Gro agreed to prepare this information and share it with AeroGrow's outside directors. Mr. Supron recommended that the Board engage an outside advisor to evaluate the Scotts Miracle-Gro framework and other alternatives, confirmed that Scotts Miracle-Gro would cooperate with the advisor in its process, and indicated that Scotts Miracle-Gro might be willing to consider viable strategic alternatives other than the proposed framework. Messrs. Clarke and Kent encouraged Mr. Supron to consider a stockholder liquidity event for AeroGrow's unaffiliated minority stockholders.

Mr. Wolfe, AeroGrow's Chief Executive Officer, rejoined the Board at the end of the executive session and the discussion was recapped to him by Mr. Supron. In addition, given the pending filing of the amendment to Scotts Miracle-Gro's Schedule 13D, Mr. Supron encouraged Mr. Wolfe to immediately begin communication with AeroGrow's employees regarding the Scotts Miracle-Gro framework and the impact it would have on AeroGrow employees, including potential severance and retention bonus considerations.

On February 27, 2020, AeroGrow's common stock closed trading on the OTCQB at $1.62 per share.

On February 28, 2020, Messrs. Clarke and Kent held a telephonic meeting with AeroGrow's outside legal counsel, Hutchinson Black and Cook, LLC ("HBC") and initiated communications with Bryan Cave Leighton Paisner LLP ("Bryan Cave") to represent the independent directors and a special committee of the Board should such special committee be approved by the Board. Representatives of HBC and Bryan Cave advised Messrs. Clarke and Kent of their legal and fiduciary duties.

On March 1, 2020, a representative of Bryan Cave contacted Scotts Miracle-Gro regarding the proposed Schedule 13D amendment and discussed issues with internal counsel at Scotts Miracle-Gro.

On March 2, 2020, Scotts Miracle-Gro and its affiliates filed an amendment to their Schedule 13D with the SEC describing the above-outlined framework.

Between February 27, 2020 and March 4, 2020, Messrs. Clarke and Kent discussed a response to Scotts Miracle-Gro's proposed framework and appropriate next steps, including, potentially, the formation of a special committee, as described below.

On March 5, 2020, Messrs. Clarke and Kent delivered a letter to Mr. Hagedorn copying Mr. Miller and Ms. Ziegler noting their discomfort with the approach taken by Scotts Miracle-Gro vis-a-vis AeroGrow's unaffiliated minority stockholders and also criticizing Scotts Miracle-Gro's approach as abrupt, unnecessarily urgent and potentially conflicting with prior Board direction regarding management priorities and the relative emphasis given to sales growth and profit improvement. Messrs. Clarke and Kent expressed their interest in participating in a detailed review of AeroGrow's business model and range of options together with AeroGrow's management and potentially outside advisors. Messrs. Clarke and Kent expressed the importance of considering options in addition to those suggested by Scotts Miracle-Gro to ensure that the interests of unaffiliated minority stockholders were considered and protected.

On March 10, 2020, Mr. Hagedorn sent a letter to Messrs. Clarke and Kent via email expressing that the Board has long identified AeroGrow's overhead as a significant drag on performance and that Scotts Miracle-Gro has provided support to AeroGrow and its management to encourage growth and profitability. The letter stated that Scotts Miracle-Gro believed that radical change was the only viable course available to AeroGrow's stockholders and that the operational and structural proposals recommended by Scotts Miracle-Gro at the February Board meeting reflected Scotts Miracle-Gro's good faith effort to provide tangible value to all stockholders. The letter also instructed Messrs. Clarke and Kent to engage a financial advisor to independently evaluate the Scotts Miracle-Gro framework as well as any alternative strategic plans or transactions as suggested by Messrs. Clarke and Kent. The letter expressed that, with respect to the transactions involving AeroGrow and Scotts Miracle-Gro, the historical practice had been to require approval by the independent directors and should remain as such to protect the interests of AeroGrow's minority stockholders.

On March 25, 2020, a representative of Bryan Cave again advised Messrs. Clarke and Kent of their legal and fiduciary duties. Messrs. Clarke and Kent also discussed and identified potential financial advisors should they be required to engage an advisor in their roles as members of a special committee.

The Board held a meeting by videoconference on March 26, 2020, which was attended by members of AeroGrow's management, HBC and Mr. Supron. A representative of HBC advised the Board of its fiduciary duties under Nevada law, both generally and with respect to considering a strategic corporate transaction with a majority stockholder. The Board discussed the viability of running a strategic exploration process in the midst of the outbreak of the COVID-19 pandemic and the need for management cash flow models to do so.

After robust discussion, the Board resolved to form the Special Committee comprised of Messrs. Clarke and Kent, the Board's independent and disinterested directors, to review the proposed Scotts Miracle-Gro framework and further authorized the Special Committee to engage independent advisors to assist with such review. The Special Committee was not delegated authority to approve or reject the Scotts Miracle-Gro framework, but rather to review it and engage an independent financial advisor. The Special Committee requested that Scotts Miracle-Gro submit a more comprehensive proposal for review and agreed to finalize the process for selecting and engaging an independent financial advisor.

On March 31, 2020, a representative of HBC advised the Board of its legal and fiduciary duties via email.

On April 7, 2020, Mr. Hagedorn, on behalf of Scotts Miracle-Gro, delivered a detailed written proposal dated April 6, 2020 to the Special Committee and Mr. Wolfe. The proposal provided background on Scotts Miracle-Gro's aggregate investment in AeroGrow over the years and its view of AeroGrow's business and prospects, including Scotts Miracle-Gro's assertion that AeroGrow had failed to meet anticipated revenue growth and leverage its selling, general and administrative costs to drive higher profit margin. The letter also noted that in order to raise capital, AeroGrow had sold several rights and entered into license agreements with Scotts

Miracle-Gro that may not be transferable to third-party buyers of AeroGrow, without Scotts Miracle-Gro's consent. The letter proposed an organizational simplification and cost reduction plan, which would include consolidating AeroGrow's leadership and supply chain, finance and product development functions into Scotts Miracle-Gro to produce an estimated annual savings to AeroGrow of $1.5 million. The letter further proposed that Scotts Miracle-Gro would pay AeroGrow a 2.5% royalty. The letter lacked detail on the specific terms of the royalty. The letter also included a proposal to conduct a reverse stock split to allow AeroGrow to cease its SEC reporting obligations, which Scotts Miracle-Gro estimated would save AeroGrow an additional $300,000 to $500,000 annually. The letter outlined estimated costs to implement the proposal, including $1.5 million in consolidation costs. The letter offered to purchase any outstanding working capital from AeroGrow at the time of the transaction. The letter further noted Scotts Miracle-Gro's willingness to consider and participate in the Special Committee's review of alternatives. The letter also provided that AeroGrow's cash on hand at the time of the transaction could be used to repurchase shares from unaffiliated minority stockholders seeking an exit. Scotts Miracle-Gro requested that the Special Committee respond by May 22, 2020.

On April 6, 2020, AeroGrow's common stock closed trading on the OTCQB markets at $1.45 per share.

On April 7, 2020, the Board held a meeting by videoconference attended by all members of the Board, certain members of AeroGrow's management, a representative of HBC and Mr. Supron. The Board discussed the April 6, 2020 written proposal from Scotts Miracle-Gro and questions and requests for additional information from Scotts Miracle-Gro ensued. The Board also discussed the ownership by Scotts Miracle-Gro of certain intellectual property used by AeroGrow and the various other contractual relationships between AeroGrow and Scotts Miracle-Gro. It was recognized that these licenses and agreements may negatively impact the value of AeroGrow to, or frustrate a transaction with, third parties. The Board also discussed AeroGrow's fiscal year 2021 operating plan and requested further development of the plan, including the potential impacts of COVID-19.

Between April 9, 2020 and May 6, 2020, members of the Special Committee evaluated four potential financial advisors and interviewed the two finalists.

Prior to May 6, 2020, at the suggestion of the Board, Mr. Wolfe and Mr. Supron began collaborating on possible avenues of integration for the two companies that would simplify AeroGrow's business, reduce AeroGrow's costs, and provide a potential exit for AeroGrow's stockholders. Mr. Supron and AeroGrow's management met several times to develop a joint proposal. On May 6, 2020 Mr. Supron informed Mr. Wolfe that Scotts Miracle-Gro was no longer interested in developing a joint proposal.

On May 6, 2020, the Special Committee communicated to the Board that, after evaluating potential financial advisors, it had selected Stifel as its financial advisor to assist the Special Committee in considering AeroGrow's strategic options and assess the transaction proposed by Scotts Miracle-Gro. The Special Committee considered many factors in selecting a financial advisor, including independence from Scotts Miracle-Gro, relationships with other potential strategic or financial buyers, relevant similar experience and national reputation.

On May 8, 2020, the Board held a telephonic meeting with representatives of AeroGrow's management, a representative of HBC and Mr. Supron present. AeroGrow's management presented a business update to the Board, including a report on recent sales results and trends. Management also presented, and the Board reviewed and agreed to, financial projections, which would form the basis of the "management projections" (as defined and further described under "—Management Projections"). The Board also discussed the need for a working capital line of credit and representatives of Scotts Miracle-Gro stated that a line of credit might be available from Scotts Miracle-Gro if Scotts Miracle-Gro's restructuring proposal progressed.

Mr. Supron then presented a revised proposal from Scotts Miracle-Gro to the Board. Mr. Supron explained that, under this revised proposal, AeroGrow would remain a separate, publicly traded legal entity with limited operations and remain 80% owned by Scotts Miracle-Gro. Its operations (other than financial statement preparation and SEC reporting) would be consolidated with Scotts Miracle-Gro, effective October 1, 2020.

Scotts Miracle-Gro would pay AeroGrow a royalty of 5% of net sales for products utilizing the AeroGrow brand and any intellectual property not currently owned by Scotts Miracle-Gro. Scotts Miracle-Gro would purchase the working capital of AeroGrow on September 30, 2020 at fair value as adjusted for any costs transferred to Scotts Miracle-Gro prior to October 1, 2020. The proposal also noted that AeroGrow would issue as a dividend to stockholders any excess cash on hand on or around October 1, 2020. The proposal also provided that AeroGrow would sever approximately 24 employees between August 1, 2020 and November 30, 2020, including AeroGrow's Chief Executive Officer, Mr. Wolfe.

Between May 8, 2020 and May 26, 2020, the Special Committee met telephonically with representatives of Stifel and Bryan Cave multiple times to discuss the process and timeline of evaluating Scotts Miracle-Gro's proposal and other alternatives, including outreach to potential strategic and financial parties who might be interested in a transaction with AeroGrow and to negotiate and finalize the terms and conditions of the engagement agreement with Stifel.

On May 11, 2020, HBC contacted Scotts Miracle-Gro's internal legal counsel to discuss, together with Bryan Cave, the process that AeroGrow intended to use to evaluate the Scotts Miracle-Gro proposal and to seek a mutual understanding of the impact of the statutory provisions of the Nevada Revised Statutes relating to interested party transactions. On May 11, 2020, Scotts Miracle-Gro's internal legal counsel provided HBC with Scotts Miracle-Gro's understanding regarding such statutory provisions.

On May 12, 2020, HBC provided to Bryan Cave and Scotts Miracle-Gro an outline of the Board's proposed process, including the Special Committee engaging a financial advisor to advise it on the Scotts Miracle-Gro proposal and other proposals, the Special Committee making a tentative decision based on, among other things, the financial advisor's advice (after which the full Board would pursue an alternative proposal or the Special Committee would pursue the Scotts Miracle-Gro proposal) and the final approval by the Board of the transaction based on a fairness opinion from the financial advisor to the Special Committee.

On May 12, 2020, HBC, Bryan Cave and Scotts Miracle-Gro's internal legal counsel discussed the processes under consideration by the Board and Special Committee to review Scotts Miracle-Gro's proposal.

On May 15, 2020, Bryan Cave provided a courtesy copy of the draft Stifel engagement letter to HBC and Scotts Miracle-Gro's internal legal counsel. Bryan Cave, HBC and Scotts Miracle-Gro's internal legal counsel exchanged comments on the draft Stifel engagement letter over the next several days.

On May 16, 2020, the members of the Special Committee sent a letter to Mr. Hagedorn updating him on the progress of the Special Committee since the Board meeting held on May 8, 2020. The letter stated that the Special Committee had engaged Stifel as the exclusive financial advisor to the Special Committee and that Stifel would proceed to review the proposal presented by Scotts Miracle-Gro at the May 8th Board meeting and manage a process to identify third parties interested in acquiring AeroGrow. The letter also requested that Scotts Miracle-Gro provide a complete and comprehensive proposal for Stifel to review, as the presentation to the Board on May 8, 2020 lacked sufficient detail. The letter further indicated that, based on the expected time commitment of the Special Committee members, the members of the Special Committee were seeking additional compensation for their Special Committee service and that this proposal should be reviewed with the other members of the Board. In addition, the letter stated that the Special Committee members were requesting that Scotts Miracle-Gro formally indemnify them against claims, costs and liabilities arising because of their services as directors of AeroGrow and Special Committee members and that Mr. Hagedorn, as Chairman of AeroGrow and an executive of Scotts Miracle-Gro, coordinate the preparation of an indemnification agreement with Scotts Miracle-Gro's counsel.

On May 19, 2020, Mr. Supron reached out to Grey Gibbs, Vice President – Accounting of AeroGrow, regarding a confidentiality agreement addressing vendor data, retail customer data, and supplier master data, so that Scotts Miracle-Gro could continue a system configuration process.

On May 20, 2020, Mr. Supron sent an email to the members of the Special Committee, Mr. Wolfe and Mr. Gibbs regarding the structure of the proposed royalty agreements and the proposed terms of, and timetable for, a potential working capital loan from Scotts Miracle-Gro to AeroGrow and providing a draft confidentiality agreement between the parties. Mr. Clarke responded to Mr. Supron's email with an update from the Special Committee regarding the engagement of an advisor indicating that the Special Committee had agreed to terms with Stifel the previous week and was working on the engagement letter with Stifel's counsel, HBC and Bryan Cave. Mr. Clarke also responded to Mr. Supron's note regarding the proposed royalty agreements by requesting that Scotts Miracle-Gro provide the Special Committee with a draft term sheet summarizing the deal terms in more detail than the summary provided in Scotts Miracle-Gro's previous presentation to the Board.

On May 28, 2020, Scotts Miracle-Gro delivered a letter dated May 27, 2020 (the "May 27 Letter") to Stifel outlining, among other things, its perspective on the proposed transaction and the resources that Scotts Miracle-Gro could offer to address what it described as certain deficiencies in AeroGrow's business model in order to increase sales and mitigate the material risks in the then-current AeroGrow business plan. Scotts Miracle-Gro also stated in the letter that the agreements between AeroGrow and Scotts Miracle-Gro with respect to Scotts Miracle-Gro's intellectual property and other commercial rights should be considered when evaluating the value of AeroGrow with respect to any potential third-party transaction but that, if a reasonable third-party offer were to materialize, Scotts Miracle-Gro indicated it would work diligently to resolve commercial and intellectual property rights as appropriate to close the transaction. While Scotts Miracle-Gro noted in the letter that it was supportive of efforts by Stifel and the Board to evaluate the Scotts Miracle-Gro proposal and to identify a third-party buyer capable of quickly closing a transaction, Scotts Miracle-Gro indicated its concerns regarding the feasibility of identifying a buyer who could expeditiously close an all-cash transaction given the then-current market considerations, the various existing agreements and obligations as between Scotts Miracle-Gro and AeroGrow and the limitations of AeroGrow's then-current operations.

On May 29, 2020, Scotts Miracle-Gro's internal legal counsel informed Bryan Cave that, in deference to the independence of the Special Committee's process, Scotts Miracle-Gro would not be able to provide indemnification to the members of the Special Committee. Bryan Cave responded to clarify that the Special Committee was not requesting a new indemnity agreement but instead a covenant not to sue coupled with a payment guaranty of AeroGrow's existing indemnification obligations. On June 1, 2020, Scotts Miracle-Gro's internal legal counsel reiterated that Scotts Miracle-Gro would not provide separate indemnification of AeroGrow's Board members (including the Special Committee) directly through an indemnity agreement or indirectly through a guarantee and that Scotts Miracle-Gro supported the independence of the Special Committee's process.

On May 29, 2020, in advance of a call scheduled between the parties, Scotts Miracle-Gro provided a draft of an intellectual property license agreement to the Special Committee and Stifel, which generally provided more detailed terms for Scotts Miracle-Gro's May 8, 2020 royalty proposal.

On May 29, 2020, representatives of Stifel held a telephonic outreach process kick-off meeting with AeroGrow management. At this meeting, also attended by Mr. Kent, management agreed to determine the costs associated with its public company reporting obligations and the extent to which intellectual property sold to Scotts Miracle-Gro in 2013 was still in use.

Also on May 29, 2020, representatives of Stifel held a separate meeting with Scotts Miracle-Gro, attended by the Special Committee, to discuss the royalty agreement proposal presented at the May 8, 2020 Board meeting. At that meeting, Mr. Supron stated that Scotts Miracle-Gro would not be a seller at an enterprise value of less than $60 million, or roughly $1.75 per share.

On June 1, 2020, representatives of AeroGrow management, Scotts Miracle-Gro, the Special Committee, and each of their respective counsels agreed on an outline for the Special Committee process and on a summary of the relative intellectual property rights of AeroGrow and Scotts Miracle-Gro. Those outlines were subsequently shared with the Board.

From June 1, 2020 through June 25, 2020, the Special Committee held weekly telephonic meetings with representatives of Stifel in order to assist in Stifel's preparation for outreach to third parties who might be interested in a transaction with AeroGrow. Such weekly Special Committee meetings continued through the filing date of this proxy statement. The representatives of Stifel also met regularly with AeroGrow's management to assist it in preparing for such outreach, which included preparation of the written materials for the confidential information memorandum (the "CIM") and other documentation to be used in connection with Stifel's market outreach. The CIM included, among other things, the management projections and a summary of Scotts Miracle-Gro's intellectual property and other commercial rights relating to AeroGrow.

On June 2 and 3, 2020, the Special Committee, Bryan Cave, Mr. Hagedorn, Mr. Supron and Scotts Miracle-Gro's internal legal counsel engaged in discussion via email regarding the Special Committee's requests for additional compensation for service on the Committee and indemnification from Scotts Miracle-Gro. On June 3, 2020, Mr. Miller emailed Bryan Cave and the members of the Special Committee with a proposal to address the Special Committee members' concerns, including a request to the Board to authorize additional compensation to the members of the Special Committee, a proposed agreement by Scotts Miracle-Gro not to sue the independent directors and a refusal by Scotts Miracle-Gro to indemnify the Special Committee members' beyond the existing directors' and officer's insurance policy.

On June 5, 2020, the Board held a videoconference meeting with members of AeroGrow's management and HBC present. The Special Committee recommended, and the Board approved, an agreement between AeroGrow and Scotts Miracle-Gro providing for a full and complete mutual release and covenants not to sue in connection with the exploration of a transaction. The Board also approved compensation for the Special Committee members (with Messrs. Clarke and Kent abstaining), which was not contingent upon the outcome of their evaluation or recommendation regarding the Scotts Miracle-Gro proposal. The Board also considered a management presentation regarding AeroGrow's need for a seasonal working capital loan.

On June 5, 2020, Scotts Miracle-Gro and AeroGrow entered into a Release Agreement and Covenant Not to Sue.

On June 9, 2020, AeroGrow and Scotts Miracle-Gro entered into a confidentiality agreement.

On June 11, 2020, the Board met by videoconference with members of AeroGrow's management, HBC and Mr. Supron present. The Board received a quarterly business update, including an update on sales increases due to COVID-19 and also discussed and approved updates to AeroGrow's fiscal year 2021 operating plan.

On June 23, 2020, Mr. Supron, Scotts Miracle-Gro's internal legal counsel, representatives of Stifel and Bryan Cave discussed the market check process and strategic alternatives that Scotts Miracle-Gro would be willing to consider.

After the close of trading on June 23, 2020, AeroGrow issued a press release announcing its financial results for the fiscal year ended March 31, 2020, reporting a 29% increase in sales and a 134% increase in income from operations over the prior fiscal year's fourth fiscal quarter. The press release also noted that AeroGrow expected sales in the first fiscal quarter of fiscal year 2021 to be three times previous fiscal year's first fiscal quarter. The press release also announced that the Board had formed the Special Committee to conduct "a broad review of strategic alternatives focused on maximizing stockholder value" and that the Special Committee had engaged Stifel to serve as financial advisor to assist in the review.

On June 24, 2020, AeroGrow's common stock closed trading on the OTCQB at $3.15 per share.

On June 25, 2020, Mr. Supron expressed concerns to Stifel regarding third-party valuations of AeroGrow compared to Scotts Miracle-Gro's valuation due to Scotts Miracle-Gro's ownership of certain intellectual property assets used in the AeroGrow business.

On June 25, 2020, the Special Committee held a telephonic meeting with representatives of Stifel and Bryan Cave present. After discussion, the Special Committee authorized Stifel to begin contacting parties that may be interested in exploring a transaction with AeroGrow.

Commencing on June 29, 2020 and continuing through August 10, 2020, Stifel contacted 102 strategic parties and 220 financial parties. The parties were both U.S.- and internationally-based. Of these, 74 financial parties and five strategic parties executed confidentiality agreements with AeroGrow and were provided with additional information on AeroGrow's business and financial models, including the CIM. The confidentiality agreements did not contain "standstill" provisions.

On July 13, 2020, the Special Committee held a telephonic meeting with representatives of Stifel and Bryan Cave present. The representatives of Stifel reported on the outreach to strategic parties and financial parties and due diligence calls with interested parties. The Special Committee also discussed and approved a bid process that established a deadline of July 30, 2020 for receipt of indications of interest.

Scotts Miracle-Gro utilized Wells Fargo Securities, LLC ("Wells") as an informal resource to provide management with assistance in connection with its participation in the Special Committee's bid process and its consideration of a potential transaction with AeroGrow. Scotts Miracle-Gro reached out to Wells because it is an internationally recognized investment banking firm that has substantial M&A advisory experience, including in the consumer products and direct-to-consumer/e-commerce industries and with respect to microcap public companies, and because of the firm's longstanding relationship as a financial advisor to Scotts Miracle-Gro. During the two years preceding the date hereof, Wells and its affiliates have received, in aggregate, approximately $1.8 million from Scotts Miracle-Gro for the provision of investment, commercial and other financial advisory services. Wells was not engaged by Scotts Miracle-Gro to formally provide any financial advisory or other investment banking services in connection with the potential AeroGrow transaction, and Scotts Miracle-Gro did not pay any amount to Wells for the assistance it provided to Scotts Miracle-Gro in connection with the proposed AeroGrow transaction. Between July 17 and July 22, representatives of Scotts Miracle-Gro and Wells discussed certain performance metrics with respect to AeroGrow—including AeroGrow's historical stock price performance, recent earnings and summary financials, as well as certain preliminary and illustrative valuation information with respect to AeroGrow for purposes of Scotts Miracle-Gro's consideration of an appropriate per share purchase price, and Wells provided an informal assessment to Scotts Miracle-Gro in connection with these discussions on July 30, 2020, as described below. None of these preliminary and illustrative discussion materials contained any formal valuation or other financial analysis by Wells in connection with an AeroGrow transaction; nor did they relate to the fairness of the consideration provided for in the Merger Agreement to AeroGrow's unaffiliated stockholders. These preliminary and illustrative discussion materials were based on Wells' review of, among other things, the projections and certain other information contained in the CIM, publicly available historical business and financial information about AeroGrow and publicly available information about select peer companies and prior precedent transactions. Scotts Miracle-Gro informed Wells that the projections reflected in the CIM may be difficult to achieve as a result of the uncertainty of the Bloom product launch and the future performance of AeroGrow to the extent expectations are based on the continuation of the significant improvement in AeroGrow's operating performance relating to COVID-19. Wells did not perform any due diligence on any of the foregoing, and Wells relied on the accuracy and completeness of such data in order to provide Scotts Miracle-Gro the assistance described herein as it deemed necessary and appropriate. Wells was not requested to provide, and did not provide, any formal valuation or other financial analysis, any opinion as to the fairness of the proposed transaction, any valuation for the purpose of assessing fairness of the consideration or any recommendation as to how a stockholder should vote on the proposed transaction.

On July 23, 2020, Stifel sent a letter to Scotts Miracle-Gro inviting it to submit a preliminary non-binding proposal for the acquisition of AeroGrow by July 30, 2020.

On July 28, 2020, Scotts Miracle-Gro delivered a letter to Stifel, which stated, among other things, Scotts Miracle-Gro's desire to meet to discuss the following issues it believed to be critical to ensure an efficient and

transparent process for all parties involved, including any third-party bidders and unaffiliated minority stockholders: (i) whether Scotts Miracle-Gro intended to acquire the AeroGrow common stock that it did not then-currently own or whether Scotts Miracle-Gro would sell its rights and interests in AeroGrow; and (ii) the value of the various assets and contractual rights relating to AeroGrow that Scotts Miracle-Gro owned and how those assets and rights would be addressed, and Scotts Miracle-Gro's likely posture regarding those assets and rights, in a transaction involving a third-party bidder. Scotts Miracle-Gro requested a meeting as soon as possible after the deadline for indications of interest to discuss: (i) Stifel's evaluation and ranking of the third-party bids; (ii) Stifel's methodology for ranking bids, including factors such as likelihood of closing; (iii) the identity of the leading bidders that Stifel believed offered the best opportunity for a successful transaction; (iv) Stifel's expectations regarding the net per-share proceeds that would ultimately be paid to AeroGrow stockholders upon closing following the due diligence and negotiation processes; and (v) how Stifel would intend to address, in a transaction involving a third-party bidder, the various assets and contractual rights relating to AeroGrow that Scotts Miracle-Gro owned. Scotts Miracle-Gro indicated that it was hopeful that a meeting with Stifel would, among other things, provide Scotts Miracle-Gro with the additional information it needed to determine whether it would be a buyer or a seller in any potential transaction. Scotts Miracle-Gro also reiterated its position from the May 27 Letter, that it believed Scotts Miracle-Gro was uniquely positioned to consummate a transaction that could reliably and efficiently close and that would maximize overall value to all AeroGrow stockholders, including unaffiliated minority stockholders.

On July 30, 2020, representatives of Wells provided Scotts Miracle-Gro with preliminary and illustrative discussion materials containing high-level arithmetic calculations relating to AeroGrow's financial forecasts provided to Wells by Scotts Miracle-Gro reflecting: (i) a moderate growth case aligned to industry peers with marginal margin expansion ("Case A"); and (ii) a heavily discounted growth case with no margin expansion ("Case B"). The preliminary and illustrative materials also included the financial projection assumptions which were approved for use in Wells' analysis by Scotts Miracle-Gro underlying Case A and Case B; revenue projection assumptions by product channel for the financial forecasts reflected in the CIM (the "AeroGrow Case"), Case A and Case B which were approved for use in Wells' analysis by Scotts Miracle-Gro; a summary of AeroGrow's recent and projected financial performance under the AeroGrow Case, Case A and Case B which were approved for use in Wells' analysis by Scotts Miracle-Gro; preliminary and illustrative arithmetic calculations presenting per share valuations of AeroGrow under the AeroGrow Case, Case A and Case B; a preliminary and illustrative analysis of the net present value of the royalties payable by AeroGrow to Scotts Miracle-Gro under Case A and Case B; presentations of precedent branded consumer and high growth consumer transactions; and analyses of branded consumer and direct-to-consumer/e-commerce peer companies.

On July 30, 2020, representatives of Wells provided Scotts Miracle-Gro with discussion materials containing high level illustrative financial forecasts for AeroGrow reflecting: (i) a moderate growth case aligned to industry peers with marginal margin expansion ("Case A"); and (ii) a heavily discounted growth case with no margin expansion ("Case B"). The materials also included the financial projection assumptions underlying Case A and Case B; revenue projection assumptions by product channel for the financial forecasts reflected in the CIM (the "AeroGrow Case"), Case A and Case B; a summary of AeroGrow's recent and projected financial performance under the AeroGrow Case, Case A and Case B; preliminary per share valuations of AeroGrow under the AeroGrow Case, Case A and Case B; a preliminary analysis of the net present value of the royalties payable by AeroGrow to Scotts Miracle-Gro under Case A and Case B; analyses of precedent branded consumer and high growth consumer transactions; and analyses of branded consumer and direct-to-consumer/e-commerce peer companies.

On July 31, 2020, the Special Committee held a telephonic meeting with representatives of Stifel and Bryan Cave present. The Special Committee approved an extension of the bid deadline to August 10, 2020 to allow more time as requested by certain bidders. Representatives of Stifel also advised the Special Committee on its communications with Scotts Miracle-Gro, including that representatives of Stifel had informed Scotts Miracle-Gro that its current proposal under-valued AeroGrow. The representatives of Stifel further indicated to the Special Committee that no bid details would be shared with AeroGrow's management or Scotts Miracle-Gro until after the expiration of the extended bid deadline.

On July 31, 2020, Stifel received a written indication of interest from a financial party ("Party B") to acquire all of the common stock of AeroGrow for cash at an implied price between $2.80 to $3.32 per share based on a range of EBITDA multiples of 10x to 12x, with an assumption that EBITDA for the trailing 12 months as of September 30, 2020 would be $8.8 million. This EBITDA assumption was generally consistent with the management projections; however, it assumed the elimination of certain Scotts Miracle-Gro royalty payments. The indication of interest assumed Party B would own all relevant AeroGrow intellectual property and also indicated that the purchase would be partially financed with third-party debt. During the weeks subsequent to Party B's submission of an indication of interest, representatives of Stifel held multiple follow-up calls with representatives of Party B in order to better understand (i) the details and intent regarding elements of Party B's indication of interest; (ii) Party B's willingness to improve the terms of its indication of interest (either to the high end of the purchase price range or above); (iii) Party B's requirement to acquire relevant intellectual property rights from Scotts Miracle-Gro and enter into commercial arrangements of transitional or longer-term nature with Scotts Miracle-Gro; and (iv) whether there was a reasonable expectation that Scotts Miracle-Gro would be a seller of its controlling equity interest of AeroGrow under the terms of Party B's indication of interest. In later discussion, points (iii) and (iv) above became key elements of discussion.

On July 31, 2020, Mr. Miller emailed Mr. Wolfe to request an update regarding the timeline for bids being submitted to Stifel and stating that a meeting should be scheduled to discuss the process, the list of bids and the start of the discussions on a path forward. Messrs. Clarke and Kent responded that the Special Committee granted an extension to Stifel to continue receiving indications of interest until August 10, 2020 and that Stifel had requested a special meeting be called for August 12 or 13 for an update. Mr. Miller responded that this matter should have been discussed by AeroGrow's management with the entire Board and that his request for a meeting the following week remained. Messrs. Clarke and Kent emailed Mr. Miller, members of AeroGrow's management, Mr. Hagedorn and Mr. Supron regarding Mr. Miller's concerns, stating that the Special Committee engaged the financial advisor and, therefore, had granted the extension and that AeroGrow management was not involved in the process and was not consulted. Messrs. Clarke and Kent further indicated that AeroGrow was still awaiting a firm indication from Scotts Miracle-Gro.

On July 31, 2020, AeroGrow's common stock closed trading on the OTCQB at $4.25 per share.

On August 1, 2020, Mr. Supron telephonically informed Mr. Kent that the Special Committee did not promptly inform the Board that the deadline for indications of interest had been extended and expressed concerns about Stifel's outreach process. Mr. Kent replied that Scotts Miracle-Gro should use the additional time to determine if they were a buyer or a seller. Mr. Kent further reiterated that Stifel continued to present AeroGrow to potential bidders "as is" meaning all agreements with Scotts Miracle-Gro would remain in place with a third-party buyer, and that an auction might occur at a later date so Scotts Miracle-Gro needed to decide if they wanted to participate.

On August 2, 2020, Mr. Clarke responded to Mr. Supron agreeing that the Board should receive an update and reminding Mr. Supron that August 12 was proposed as the date for Stifel to brief the Board on the status of the end of the first phase of the bidding process. He stated that, at that time, the Board could determine next steps.

On August 3, 2020, as approved by independent and disinterested directors by written consent on July 31, 2020, AeroGrow entered into the 2020 Loan Agreement with Scotts Miracle-Gro, which provided AeroGrow with a $7.5 million working capital term loan. The amount of the loan was based on a stretch planning analysis provided by AeroGrow's management at the request of Ms. Ziegler and Mr. Supron, who encouraged AeroGrow's management to drive sales aggressively in the third and fourth fiscal quarters in light of the strength of the sales trends. The proceeds would be made available to AeroGrow as needed in increments of $500,000 not to exceed $7.5 million with a due date of June 30, 2021. Interest would accrue at the stated rate of 10% and be due quarterly in arrears on each of September 30, 2020, December 30, 2020, March 31, 2021 and June 30, 2021. The terms of the 2020 Loan Agreement generally matched, or were more favorable than, the terms of previous

loans from 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."

On August 5, 2020, representatives of Scotts Miracle-Gro and Wells met to review the discussion materials and discuss the possible range of bids that might be submitted to the Special Committee from third parties in connection with its process.

On August 6, 2020, Mr. Supron communicated with Mr. Clarke to express concerns that Scotts Miracle-Gro had no meaningful discussions with Stifel since their engagement and that the Board may lose time in the process. Mr. Supron recommended that Scotts Miracle-Gro and Stifel discuss the indications of interest and what Stifel would expect regarding the proceeds to AeroGrow's stockholders through this transaction. He indicated that Scotts Miracle-Gro could more clearly address at that point whether it was a buyer or seller as well as outline any conditions Scotts Miracle-Gro may have in working with various sellers. Mr. Clarke replied that Scotts Miracle-Gro could ensure the Board did not lose any time in the process by confirming its position as a buyer or seller, and also that it would not be appropriate to share the indications of interest with Scotts Miracle-Gro since the market check process was not yet complete.

On August 10, 2020, Stifel received verbal indications of interest from two strategic parties (Parties C and D). Party C (a privately-held company) proposed a stock transaction that valued AeroGrow's common stock at between approximately $2.24 and $2.74 per share. The proposal provided that the consideration for AeroGrow's common stock would be paid with stock of Party C with the potential, but not the preference of Party C, to pay some level of cash to unaffiliated minority stockholders. The indication assumed existing intellectual property and commercial arrangements with Scotts Miracle-Gro would remain in place and that no third-party financing was necessary. Due to the fact that other bidders had proposed all-cash transactions, Stifel provided feedback to Party C at the time of its offer that the all-stock proposal would not be viewed as competitive.

Party D verbally proposed an all cash transaction whereby Party D would purchase all of AeroGrow's common stock at a price between $1.98 and $2.56 per share. Party D expressed a preference for Party D to own all relevant AeroGrow intellectual property and did not indicate the need for third-party financing. Subsequent to the initial communication of Party D's verbal proposal, representatives of Party D were unresponsive to Stifel's multiple attempts made via email and telephone to hold follow-up conversations regarding Party D's verbal proposal.

On August 10, 2020, AeroGrow's common stock closed trading on the OTCQB at $4.50 per share.

After the close of trading on August 11, 2020, AeroGrow issued a press release announcing its financial results for the first fiscal quarter ended June 30, 2020, reporting a 267% increase in sales compared to the first fiscal quarter of the prior fiscal year and income from operations increasing to $2.7 million, up from a loss of $1.1 million in the prior year.

On August 11, 2020, AeroGrow's common stock closed trading on the OTCQB at $4.53 per share.

On August 12, 2020, representatives of Stifel held an informational meeting with the Board, representatives of AeroGrow's management, HBC and Mr. Supron present. The representatives of Stifel provided an update on the outreach process and presented a general overview of the non-binding indications of interest received. The representatives of Stifel reported that of the 322 parties contacted, 79 signed confidentiality agreements and received additional information and of those, 15 held calls with Stifel following receipt of additional information. The representatives of Stifel further reported on the indications of interest received from Parties A, B, C and D.

On August 17, 2020, Scotts Miracle-Gro delivered a letter to Stifel noting that it did not believe any of the four indications of interest received were worth further pursuing in part because of Scotts Miracle-Gro's intellectual property and other commercial rights and their highly conditional nature. Pursuant to the letter, Scotts

Miracle-Gro proposed to acquire all of the shares of AeroGrow that it did not already own for $1.75 per share in cash.

On August 17, 2020, AeroGrow's common stock closed trading on the OTCQB at $5.70 per share.

On August 18, 2020, Scotts Miracle-Gro and its affiliates filed an amendment to their Schedule 13D with the SEC disclosing its $1.75 per share offer.

On August 18, 2020, AeroGrow's common stock closed trading on the OTCQB at $5.74 per share.

On August 19, 2020, AeroGrow issued a press release acknowledging the Schedule 13D filing by Scotts Miracle-Gro and its affiliates and noting that the Special Committee will review the Schedule 13D filing and was working with Stifel in considering the next steps and all alternatives.

Also, on August 19, 2020, Bryan Cave communicated to representatives of AeroGrow and Scotts Miracle-Gro that, in order to motivate potential third-party bidders to stay in the process and dedicate the resources necessary to further explore a transaction, the Special Committee requested that Scotts Miracle-Gro or AeroGrow agree to assure the highest bidder that its due diligence and transaction expenses up to $250,000 will be reimbursed in the event Scotts outbids their proposal or the Board terminates the process. A representative of Scotts Miracle-Gro indicated that Scotts Miracle-Gro would like the opportunity to meet with the bidders and provide them with an overview of Scotts Miracle-Gro's intellectual property and other commercial rights and address expectations on value and transferability of such rights. Scotts Miracle-Gro noted that if after such discussion bidders chose to move forward, Scotts would be amenable to discussing some level of financial assurance.

On August 20, 2020, AeroGrow's common stock closed trading on the OTCQB at $3.13 per share.

On August 21, 2020, a representative of AeroGrow's management provided the Board a summary of stockholder feedback and questions regarding Scotts Miracle-Gro Schedule 13D filing and Stifel's outreach process. Also in this email AeroGrow's management provided the standard response it was using to respond to stockholder inquiries.

On August 27, 2020, a representative of Scotts Miracle-Gro informed a representative of Bryan Cave that Scotts Miracle-Gro did not believe that any bidder would be able to step into AeroGrow's shoes with respect to the contractual arrangements between Scotts Miracle-Gro and AeroGrow and that bidders should, be informed of Scotts Miracle-Gro's position.

On August 28, 2020, affiliates of Scotts Miracle-Gro delivered reservation of rights letters to AeroGrow related to the Brand License Agreement and the Technology License Agreement reserving the right of the affiliate of Scotts Miracle-Gro to terminate the agreements.

On August 28, 2020, Scotts Miracle-Gro also delivered to Bryan Cave by email an updated summary of Scotts Miracle-Gro intellectual property and other rights relating to AeroGrow that had been previously shared with the Board on June 1, 2020. Scotts Miracle-Gro indicated in its email that such summary should be shared with bidders to understand AeroGrow's limited intellectual property rights if the various commercial license agreements with Scotts Miracle-Gro were to be terminated by Scotts Miracle-Gro. Scotts Miracle-Gro also indicated that bidders should be informed of AeroGrow's alleged failure to perform its obligations under certain agreements with Scotts Miracle-Gro per the above referenced reservation of rights letters.

On September 1, 2020, on behalf of AeroGrow, Mr. Wolfe responded to the reservation of rights letters received from Scotts Miracle-Gro disagreeing with the assertion that Scotts Miracle-Gro's affiliate had the right to terminate the Brand License Agreement and the Technology License Agreement.

On September 1, 2020, the Special Committee met telephonically with representatives of Stifel and Bryan Cave. The Special Committee considered Scotts Miracle-Gro's position on existing intellectual property agreements and its August 18, 2020 bid. Discussion included management's position that the Scotts Miracle-Gro trademarks are not of value to AeroGrow and the nutrients patent, which management believes to be the sole remaining piece of Scotts Miracle-Gro intellectual property in use in AeroGrow's current product range and will not be used in Large Size Products ("LSPs") under co-development with Scotts Miracle-Gro, has a simple work around for a third-party bidder, leaving only the retail distribution rights to the LSPs, excluding Amazon and direct-to-consumer, as the lone potential value generator for AeroGrow that would be lost to a third-party acquirer.

On September 1, 2020, at the request of Stifel, Mr. Wolfe sent an email to Stifel setting forth AeroGrow management's position on how AeroGrow would operate without Scotts Miracle-Gro's involvement, including management's opinion on intellectual property rights. This analysis was further updated on September 14, 2020.

On September 2, 2020, the Board held a meeting with representatives of Stifel and HBC present. The representatives of Stifel discussed the third-party outreach process and bids along with information that it would need and analysis to be conducted if Stifel were to be asked to provide a fairness opinion in connection with a proposed transaction. The representatives of Stifel also discussed the royalty and license arrangements between Scotts Miracle-Gro and AeroGrow and summarized their assessment of the relevant intellectual property issues related to AeroGrow's use of several Scotts Miracle-Gro trademarks and a nutrients patent. The representatives of Stifel supported management's view that a third-party bidder would not need these trademarks or the patent to successfully operate AeroGrow. The representatives of Stifel also discounted AeroGrow's continued need for shared services and working capital under third-party ownership. The representatives of Stifel stressed the need for Scotts Miracle-Gro to confirm if it was willing to sell the shares it beneficially owned if a third-party bidder agreed to pay more than $1.75 per share. The Special Committee requested the Board approve a $250,000 expense reimbursement to the most promising third-party bidder to encourage such bidder to continue to engage as it would be cost protected should Scotts Miracle-Gro top their offer or the process be terminated. The Board took no action at that meeting but requested that Stifel meet again with Scotts Miracle-Gro management to chart a path forward.

On September 17, 2020, the Special Committee held a telephonic meeting with representatives of Stifel and Bryan Cave present. Mr. Supron and Scotts Miracle-Gro's internal legal counsel also attended. The Special Committee sought clarity from Scotts Miracle-Gro as to whether Scotts Miracle-Gro would be a buyer or a seller in a potential transaction. Scotts Miracle-Gro indicated it did not believe a sale transaction with any of the bidders would be acceptable to Scotts Miracle-Gro because it had decided that, at the valuations implied by the proposals, it did not want to sell its ownership stake in AeroGrow and, consequently, indicated its position as a buyer only. Scotts Miracle-Gro representatives also informed the Special Committee that any continuation of Scotts Miracle-Gro's intellectual property and other commercial agreements with AeroGrow would not be offered "on the same favorable terms" to potential acquirers. Representatives of Scotts Miracle-Gro then discussed the possibility of purchasing all of AeroGrow common stock it did not own at a price of $3.00 per share.

On September 17, 2020, AeroGrow's common stock closed trading on the OTCQB at $3.26 per share.

Between September 20 and 22, 2020, representatives of Stifel attempted to negotiate with Scotts Miracle-Gro to improve its offer of $3.00 per share. Although Scotts Miracle-Gro was unwilling to increase its offer price, Mr. Supron assured representatives of Stifel that there would be no downward adjustments to the $3.00 per share offer price.

On September 25, 2020, representatives of Scotts Miracle-Gro delivered a draft letter of intent to the Special Committee indicating its intent to purchase the shares of common stock of AeroGrow that it did not already own for $3.00 per share, subject to definitive documentation. The letter proposed a binding exclusivity period through November 15, 2020, which would restrict AeroGrow from transacting with another party through such date.

On September 25, 2020, AeroGrow's common stock closed trading on the OTCQB at $2.97 per share.

Between September 25, 2020 and October 2, 2020, Vorys, Sater, Seymour and Pease LLP ("Vorys"), legal counsel to Scotts Miracle-Gro, and HBC and other representatives of Scotts Miracle-Gro, the Special Committee and Bryan Cave exchanged drafts of the letter of intent and negotiated its terms, including with respect to, among other things, the absence of a financing condition, the scope and nature of Scotts Miracle-Gro's due diligence efforts and the inclusion of an exclusivity period. The negotiations resulted in, among other things, Scotts Miracle-Gro's representations that it would not have to finance the Merger Consideration and the confirmatory scope and nature of its due diligence efforts and the duration of the exclusivity period noted above. The Special Committee was provided regular updates on the negotiations and provided guidance on the negotiations to management, HBC and Bryan Cave.

On September 26, 2020, the Special Committee held a telephonic meeting with a representative of Bryan Cave present. The meeting was held for the purpose of confirming the Special Committee's fulfillment of its fiduciary duties to AeroGrow and its stockholders, including the unaffiliated minority stockholders. The Special Committee discussed the letter of intent received from Scotts Miracle-Gro and considered the fairness and adequacy of the $3.00 per share offer in light of AeroGrow's history, prospects, recent and historical stock price performance, Stifel's market outreach and other factors. Specifically, the Special Committee considered the impact on the common stock's trading price based on market speculation after Scotts Miracle-Gro filed its initial Schedule 13D amendment on March 2, 2020 as compared to AeroGrow's historical trading price, AeroGrow's lack of historical profit and the sustainability of AeroGrow's recent COVID-19 driven sales spikes. The Special Committee considered whether AeroGrow's sales projections were reasonable given that future growth would be dependent on the success of a new product with a different price category and target consumer. The Special Committee also considered the non-binding indications of interest received from Stifel's market outreach, noted the uncertainty regarding the likelihood of completing a transaction with any of the bidders besides Scotts Miracle-Gro, and noted that only one bidder exceeded the $3.00 per share price offered by Scotts Miracle-Gro, but that bid was dependent on Scotts Miracle-Gro selling certain intellectual property to the bidder at a price which had not been determined and that would ultimately reduce dollar-for-dollar the total per-share consideration paid to stockholders. The Special Committee further considered the fact that some bidders had assumed certain intellectual property rights belonging to, and commercial arrangements with, Scotts Miracle-Gro would continue or be transferred to the prevailing bidder and that such arrangements were not possible without cooperation from Scotts Miracle-Gro. Furthermore, the Special Committee noted that Scotts Miracle-Gro had told the Special Committee on September 17, 2020 that any such continuation would not be offered "on the same favorable terms." The Special Committee also discussed the general uncertainty regarding whether Scotts Miracle-Gro would constructively participate in a full sale process, and that without such participation by Scotts Miracle Gro as the 80% beneficial owner, no process could move forward. The Special Committee further considered the timing and other benefits of the proposed transaction with Scotts Miracle-Gro given the historically relatively high share price offered by Scotts Miracle-Gro, the need for Scotts Miracle-Gro to perform only limited due diligence and the certainty of closing. The Special Committee also recognized the challenges regarding Scotts Miracle-Gro's existing ownership of intellectual property and other business relationships with AeroGrow, any of which may impede the possibility of concluding or significantly reduce the valuation in a transaction with another party.

On September 27, 2020, the Special Committee held a telephonic meeting with representatives of Stifel and Bryan Cave present. This meeting was in follow-up to the Special Committee's meeting the prior day as well as discussions with representatives of Stifel regarding the financial analysis that would inform their fairness opinion, if requested. After full discussion, including discussion regarding the sale process conducted by Stifel and other items discussed at the Special Committee's meeting the prior day, the Special Committee agreed to recommend to the Board that AeroGrow pursue a transaction with Scotts Miracle-Gro at $3.00 per share.

On October 2, 2020, based on a recommendation by the Special Committee, the Board approved entry into the letter of intent with Scotts Miracle-Gro. The Board also unanimously approved a retention plan for AeroGrow

employees intended to retain employees through any potential transaction, motivate them to successfully complete a potential transaction and continue to execute on AeroGrow's operating plans through what may be a period of significant uncertainty. The retention plan clarified the terms for the payment of compensation earned pursuant to AeroGrow's long-term incentive plan and fiscal year 2021 annual bonus plan, each scheduled to be paid after the end of AeroGrow's 2021 fiscal year, should an employee be retained or terminated in connection with a transaction that closes prior to the March 31, 2021 fiscal year end. In addition, the Board approved a severance policy that provides for severance pay for all employees terminated without cause based on a formula derived from years of service or annual salary and for one year of full salary for Mr. Gibbs. Severance benefits for Messrs. Wolfe and Thompson were already provided in their respective employment agreements.

Later on October 2, 2020, AeroGrow and Scotts Miracle-Gro executed a non-binding letter of intent indicating Scotts Miracle-Gro's intent to purchase the shares of common stock of AeroGrow that it did not already own for $3.00 per share. The letter also restricted AeroGrow and its representatives from directly or indirectly, soliciting, initiating or encouraging the submission of any acquisition proposals from other parties through November 15, 2020. At no point after AeroGrow and Scotts Miracle-Gro executed the letter of intent did Stifel receive any unsolicited inbound interest from any parties to submit an acquisition proposal.

On October 5, 2020, Scotts Miracle-Gro and its affiliates filed an amendment to their Schedule 13D with the SEC after market close disclosing the entry into the letter of intent.

On October 5, 2020, AeroGrow's common stock closed trading on the OTCQB at $3.00 per share.

On October 8, 2020, AeroGrow filed a Form 8-K with the SEC disclosing its entry into the letter of intent.

On October 9, 2020, Vorys delivered a draft definitive merger agreement to HBC.

On October 21, 2020, HBC returned a draft of the definitive merger agreement to Vorys. From October 21, 2020 through November 11, 2020, Vorys and HBC and other representatives of Scotts Miracle-Gro, the Special Committee and Bryan Cave exchanged drafts of the Merger Agreement and negotiated its terms, including with respect to the elimination of a termination fee, guarantee by Scotts Miracle-Gro and the extensiveness of AeroGrow's representations and warranties. The negotiations resulted in the removal of the termination fee from the Merger Agreement and the addition of a guarantee by Scotts Miracle-Gro of the Merger Consideration and certain indemnification obligations. The Special Committee was provided regular updates on the negotiations and provided guidance on the negotiations to management, Stifel, HBC and Bryan Cave.

On November 10, 2020, the Special Committee met with representatives of Bryan Cave and Stifel present, reviewed the terms of the Merger Agreement, heard an extensive presentation from the representatives of Stifel of Stifel's market check and valuation processes and conclusions, confirmed that Stifel was prepared to issue an opinion to the Special Committee as to fairness of the consideration under the Merger Agreement, from a financial point of view, as of the date of the opinion, and unanimously determined to recommend that the Board approve the entry into the Merger Agreement.

On November 11, 2020, the Board held a videoconference meeting with representatives of AeroGrow management, HBC and Stifel in attendance. Representatives of Stifel reviewed with the Board their financial analysis with respect to the Merger Consideration of $3.00 per share of common stock, which they had presented to the Special Committee the previous day. HBC discussed the Board's fiduciary duties and reviewed with the Board the key legal terms of the draft merger agreement. The representatives of Stifel then confirmed the oral opinion they had delivered to the Special Committee the previous day by delivery of a written opinion, dated November 11, 2020, to the Special Committee, that, as of the date of such opinion and subject to the qualifications, assumptions, exceptions and limitations set forth in the opinion, the Merger Consideration to be paid by the Parent pursuant to the Merger Agreement was fair, from a financial point of view, to the holders of common stock, other than Parent, Parent's affiliates and AeroGrow or with respect to dissenting shares.

Following additional discussion and deliberation, by a unanimous vote of the Board members, the Board (i) adopted and approved the Merger Agreement, (ii) directed that the Merger Agreement be submitted to the stockholders of AeroGrow for approval and (iii) recommended that AeroGrow's stockholders vote in favor of the approval of the Merger Agreement and approve the Merger and the other transactions contemplated thereby.

On November 11, 2020, AeroGrow and Scotts Miracle-Gro executed the Merger Agreement.

On November 12, 2020, AeroGrow filed a Form 8-K prior to the opening of trading on the OTCQB disclosing entry into the Merger Agreement.

After the close of trading on November 16, 2020, AeroGrow issued a press release announcing its financial results for its second fiscal quarter ended September 30, 2020. AeroGrow reported a 224% increase in sales compared to the prior fiscal year along with income from operations increasing to $1.3 million, up from a loss of $2.3 million in the prior year. The press release noted that favorable sales trends had continued early in the third fiscal quarter. The press release also announced that on November 11, 2020 AeroGrow entered into the Merger Agreement with affiliates of Scotts Miracle-Gro.

Recommendation of the Board and Reasons for the Merger; Fairness of the Merger

Recommendation of the Board

The Board formed the Special Committee, comprised at all times of all of the Company's directors who are independent and not affiliated with Scotts Miracle-Gro, in March 2020 to, among other things, review any proposed transaction between the Company and Parent or any affiliate of Parent, and engage Stifel to provide financial advice in connection with the review. At all times during 2020, the Board consisted of five directors, two of whom are independent and not affiliated with Scotts Miracle-Gro, and three of whom, currently Ms. Ziegler and Messrs. Hagedorn and Miller, are affiliated with Scotts Miracle-Gro. Ms. Ziegler and Mr. Miller were each appointed to the Board by Parent in April 2019 and replaced two members of the Board who were also affiliated with Scotts Miracle-Gro. In this section of the proxy entitled "Recommendation of the Board and Reasons for the Merger; Fairness of the Merger," references to the Board refer to the Board, including Ms. Ziegler and Messrs. Hagedorn and Miller, who reminded the Board of their affiliation with Scotts Miracle-Gro. After careful consideration, at a special meeting on November 10, 2020, after consultation with the Special Committee's legal and financial advisors, 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.

Accordingly, based on its evaluation and having received the recommendation of the Special Committee, the Board, by unanimous vote, recommends that stockholders vote "FOR" the approval of the Merger Agreement Proposal. In addition, the Special Committee and the Board believe that the Merger is fair to the Company's "unaffiliated security holders," as defined under Rule 13e-3 of the Exchange Act.

Reasons for the Merger

In evaluating the Merger Agreement and the transactions contemplated thereby (including the Merger), the Special Committee and the Board consulted with representatives of the Special Committee's financial advisor and legal advisors. In unanimously recommending that stockholders vote in favor of the Merger Agreement Proposal, the Special Committee and the Board considered a number of factors, including the following (which factors are not necessarily presented in order of relative importance):

- the understanding of each of the Special Committee and the Board of the Company's business, assets, financial condition, liquidity position and results of operations, its competitive position and historical and prospective performance, and the nature of the industry in which the Company competes.
- the fact that the all-cash Merger Consideration will provide certainty of value and liquidity to stockholders, while eliminating the effect of long-term business and execution risks to stockholders.
- the historical and recent relationship of the $3.00 Merger Consideration to the trading price of our common stock on the OTCQB.
- the current and historical market prices of our common stock, including the market performance of our common stock relative to those of other participants in our industry and the general market.
- that shares of our common stock have historically been thinly traded (our common stock had an average daily trading volume of approximately 31,000 shares over the 12 months ended October 5, 2020, the day we announced our entry into the non-binding letter of intent with Scotts Miracle-Gro), resulting in price volatility, illiquidity for stockholders and the possibility that significant stockholders would not be able to liquidate their positions without negatively impacting the market price of our common stock.
- the evaluation of multiple strategic alternatives and the solicitation of bids from multiple strategic and financial sponsor parties, as discussed under "—Background of the Merger."
- the Special Committee's and the Board's belief that, if any third parties were interested in exploring a transaction with the Company, such potential acquirers were contacted by Stifel or would have been motivated to approach the Company.
- the Special Committee's and the Board's belief, after consultation with representatives of Stifel, that no other potential transaction party was likely to be both willing and able to acquire the Company at a valuation of $3.00 per share or greater, including because of the rights that Scotts Miracle-Gro has under its agreements with the Company, and Scotts Miracle-Gro's expressed unwillingness to sell those rights, which could have a negative effect on the perceived value of the Company to a third-party acquirer.
- the fact that a transaction with a third party could not be consummated without the support of Parent and Scotts Miracle-Gro, given their beneficial ownership of approximately 80.5% of the outstanding shares of our common stock at all relevant times during 2020.
- the advantages of entering into the Merger Agreement in comparison with the risks of remaining an independent public company, including, but not limited to, the risks and uncertainties with respect to:
    - achieving the Company's growth plans in light of the current and foreseeable market conditions, including the risks and uncertainties in the U.S. and global economy generally and the Company's industry specifically, in each case, especially in light of COVID-19;
    - the relatively significant administrative costs of continuing as a stand-alone publicly-traded company;
    - the Company's lack of historical profit and the uncertainty regarding the Company's ability to sustain its recent COVID-19 driven sales spike;

- the Company's ongoing capital needs and frequent need to seek additional funding from Scotts Miracle-Gro as a result of the Company's historical inability to obtain funding from third party sources;
- that the Company's projections of future revenue and profit growth would depend on the success of a new product that has not yet been sold and will be in a different price category and have a different consumer than its current products, all of which create uncertainty regarding the Company's future growth prospects;
- the seasonality of the Company's sales and the degree to which such seasonality increases the risks associated with the Company's working capital financing requirements;
- achieving projected fiscal year 2021 performance and long-term financial projections as a standalone company is unlikely to result in value to the Company's stockholders that would exceed, on a present-value basis, the value of the Merger Consideration;
- that Scotts Miracle-Gro was the most logical acquirer of the Company and, in light of Scotts Miracle-Gro's strategic positioning, existing commercial relationships with the Company, synergy potential and Scotts Miracle-Gro's existing investment in the Company, that Scotts Miracle-Gro was the potential transaction partner most likely to offer the highest value to the Company's unaffiliated minority stockholders;
- Scotts Miracle-Gro's consistent assertions that Scotts Miracle-Gro was not willing to waive in advance any contractual, governance or other rights that Scotts Miracle-Gro has under the existing commercial agreements between Scotts Miracle-Gro and the Company, and the uncertainty regarding whether Scotts Miracle-Gro would be willing to substantially renegotiate those rights or commercial arrangements with a third party acquirer;
- that, if Scotts Miracle-Gro intended to maintain all of its contractual rights, a transaction with a potential third-party acquirer was highly unlikely;
- Scotts Miracle-Gro's ownership of certain intellectual property used in the Company's business;
- Scotts Miracle-Gro's stated position that any continuation of its intellectual property and other commercial arrangements with AeroGrow would not be offered "on the same favorable terms" to potential acquirers;
- our lack of resources and external financing sources to continue to support our core business and finance a major new product launch to be known as "Bloom by Botanicare" ("Bloom"); and
- the various additional risks and uncertainties that are set forth in Part I, Item 1A. of 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.

- our ability to service, pay down or pay off our debt levels while maintaining our operations and funding current and future capital expenditures.
- our accelerated rate of growth in net sales for the six months ended September 30, 2020 correlates with shelter-in-place orders issued in many locations in March 2020 in response to the COVID-19 pandemic and it is uncertain whether such sales results will continue in future periods.
- its belief, based on discussions and negotiations with Parent, that $3.00 per share was the highest price Parent would be willing to pay.
- the fact that the Company sought out and engaged over 320 other potential purchasers and the Board determined that there were no other potential purchasers that would be reasonably likely to engage in a transaction in the near term at a price per share equal to or greater than the price being offered by Parent and on other acceptable terms.

- of the four indications of interest received from other potential purchasers, the proposed price per share was below $3.00, after taking all assumptions and terms into account and subject to secondary diligence by the potential purchasers.
- Parent's communication to the Special Committee in September 2020, that it was only a buyer (and not a seller) of the Company and would not vote for or otherwise support a transaction to sell the Company to any party, at any price, or support any other alternative strategic transaction involving the Company.
- Scotts Miracle-Gro's assertion of termination rights under license agreements between OMS Investments, Inc. ("OMS"), an indirect-wholly owned subsidiary of Scotts Miracle-Gro, and the Company.
- the extensive arm's length negotiations with Parent, which, among other things, moved from a reorganization and reverse stock split proposal with no liquidity event for unaffiliated minority stockholders to a merger and resulted in an increase in the initially offered merger consideration from $1.75 per share to $3.00 per share.
- the likelihood that the Merger will be consummated, based on, among other things:
  - the limited number of conditions to the Merger;
  - that the conditions to closing contained in the Merger Agreement are reasonable and customary in number and scope and which, in the case of the condition related to the accuracy of the Company's representations and warranties, are generally subject to a Material Adverse Effect qualification, as described under "The Merger Agreement—Representations and Warranties;"
  - the absence of a financing condition;
  - Parent's representation and Scotts Miracle-Gro's guarantee that Parent will have sufficient financial resources to pay the aggregate Merger Consideration and consummate the Merger;
  - the Board's and the Special Committee's assessment, after discussion with representatives of Stifel, that Parent and Scotts Miracle-Gro have the financial capability to complete the Merger;
  - that there are no governmental approvals needed to effectuate the Merger or consummate the other transactions contemplated by the Merger Agreement;
  - the commitment of Parent 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 Merger Agreement Proposal at the Special Meeting and at all adjournments, recesses or postponements thereof, which limits Parent's ability to seek to avoid completing the Merger should Parent's view of the desirability of the transaction change during the pendency of the Merger (as more fully described under "—Parent's Obligation to Vote in Favor of the Merger"); and
  - the remedies available under the Merger Agreement to the Company in the event of a breach by Parent, including, but not limited to, our ability, under certain circumstances pursuant to the Merger Agreement, to seek specific performance to prevent breaches of the Merger Agreement, and to enforce specifically the terms of the Merger Agreement, as described under "The Merger Agreement—Specific Performance."
- the terms of the Merger Agreement and the related agreements, including, but not limited to:
  - the ability of the Company and its representatives, in accordance with the terms of the Merger Agreement, at any time prior to obtaining the Requisite Company Vote, to provide non-public information to, and engage in discussions and negotiations with, any person that submits an unsolicited, bona fide written Acquisition Proposal for the Company, if the Special Committee determines in good faith, after consultation with outside legal counsel, that such Acquisition Proposal either constitutes a Superior Proposal or is reasonably expected to result in a Superior

Proposal and that the failure to take such action would violate the fiduciary duties of the Company's directors constituting the Special Committee under applicable law;

- the absence of a termination fee;
- that the Merger Agreement permits the Company to award retention payments to current employees and executives, which, the Special Committee and the Board believed, would increase the stability of the Company during the pendency of the Merger and reduce the risks to the Company in the event the Merger is terminated and not completed for any reason (as more fully described under "Interests of the Company's Directors and Executive Officers in the Merger—Retention Program and Severance Policy"); and
- the ability of the Special Committee, in certain circumstances specified in the Merger Agreement, to make a Change of Recommendation and the Company's ability to terminate the Merger Agreement in order to enter into a Superior Proposal For more information, see "The Merger Agreement—Covenants and Agreements—Acquisition Proposals; Change of Recommendation."

- that 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 (although 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), and such approval is not required under Nevada law for us to complete the Merger).
- that 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.
- the Board's view that the Merger Agreement was the product of arm's-length negotiations and contained customary terms and conditions.
- the timing of the Merger and the risk that if the Board did not accept Parent's offer at the time it was made, the Board might not have had another opportunity to do so.
- the financial analysis presented to the Board by representatives of Stifel on November 11, 2020 and the oral opinion of Stifel rendered to the Special Committee on November 10, 2020, confirmed by delivery of a written opinion dated November 11, 2020, that, subject to the qualifications, assumptions, exceptions and limitations set forth therein, the Merger Consideration to be paid by Parent under the Merger Agreement was fair, from a financial point of view, to the holders of shares of common stock, other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares, as more fully described below in " —Opinion of Stifel, Nicolaus & Company, Incorporated."

The Special Committee and the Board also considered a number of uncertainties and risks concerning the Merger that generally weighed against entering into the Merger Agreement, including the following (which factors are not necessarily presented in order of relative importance):

- the fact that the announcement and pendency of the Merger, or the risks and costs to the Company if the Merger does not close, could result in the diversion of management and employee attention, and potentially have a negative effect on the Company's business and relationships with customers, suppliers and vendors.

- the effect of a public announcement of the Company entering into the Merger Agreement on the Company's operations, stock price and employees and its ability to attract and retain key management and personnel while the Merger is pending.
- the fact that the unaffiliated stockholders will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in value of the Company, including any appreciation in value that could be realized as a result of improvements to our operations.
- that the Merger is not conditioned upon the approval of at least a majority of the stockholders other than 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).
- the fact that, pursuant to NRS 92A.380(2), a stockholder who is entitled to dissent and obtain payment pursuant to the Dissenter's Rights Statutes must not challenge the Merger unless the Merger is unlawful or constitutes or is the result of actual fraud against the stockholder or the Company.
- the possibility that Parent or Scotts Miracle-Gro will be unable to pay the aggregate Merger Consideration on the Closing Date, including, but not limited to, the risk that Parent or Scotts Miracle-Gro will not have sufficient cash on hand to pay the aggregate Merger Consideration.
- the restrictions on the Company's conduct of business prior to the consummation of the Merger, including the requirement that it conduct its business in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise before the completion of the Merger and that, absent the Merger Agreement, the Company might have pursued.
- the fact that an all cash transaction would be taxable to the Company's stockholders that are U.S. Holders for U.S. federal income tax purposes.
- the fact that under the terms of the Merger Agreement, the Company is unable to solicit other acquisition proposals.
- the fact that, by reason of the factors described immediately above, the likelihood of any third party submitting to the Special Committee or the Company (on an unsolicited basis pursuant to the "window shop" exceptions to the Company's no-solicitation covenant in the Merger Agreement) an Acquisition Proposal constituting or reasonably likely to lead to a Superior Proposal is materially diminished.
- the risk that, while the Merger is expected to be completed, there can be no assurance that all conditions to the parties' obligations to complete the Merger will be satisfied, and as a result, it is possible that the Merger may not be completed even if approved by the Company's stockholders.
- the significant costs involved in connection with entering into the Merger Agreement and completing the Merger and the substantial time and effort of the Company's management required to complete the Merger, which may disrupt the Company's business operations.
- the fact that the Company's business, operations, financial results and liquidity position could suffer in the event that the Merger is not consummated.
- the risk that the Merger might not be completed and the effect of the resulting public announcement of termination of the Merger Agreement on the trading price of the Company's common stock on the OTCQB.
- the risk of litigation arising in respect of the Merger Agreement or the transactions contemplated thereby (including the Merger).

In addition, the Board was aware of and considered the interests that certain of our directors and executive officers may have in the Merger that differ from, or are in addition to, those of our other stockholders. For more

information, please see " —Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest."

The foregoing discussion is not meant to be an exhaustive list, but summarizes many, if not all, of the material factors considered by the Board in its consideration of the Merger. After considering these and other factors, the Special Committee and the Board concluded that the potential benefits of the Merger outweighed the uncertainties and the risks. In view of the variety of factors considered by the Special Committee and the Board and the complexity of these factors, the Special Committee and the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching their respective determinations and recommendations. Moreover, each member of the Special Committee and the Board (including Ms. Ziegler and Messrs. Hagedorn and Miller, who reminded the Board of their affiliation with Scotts Miracle-Gro) applied their own personal business judgment to the sale process and may have assigned different weights to different factors. The Special Committee and the Board (including Ms. Ziegler and Messrs. Hagedorn and Miller, who reminded the Board of their affiliation with Scotts Miracle-Gro) adopted and approved the Merger Agreement and the transactions contemplated thereby (including the Merger) and the Special Committee and the Board unanimously recommend that stockholders approve the Merger Agreement Proposal based upon the totality of the information presented to, and considered by, the Special Committee and the Board.

In the course of determining 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), the Special Committee and the Board did not consider the liquidation value of the Company, and did not believe it to be a relevant methodology, because it considered the Company to be a viable, going concern, it considered determining a liquidation value to be impracticable given the significant execution risk involved in any breakup of the Company and that the Company will continue to operate its business following the Merger. Further, the Special Committee and the Board did not consider net book value as a factor because they believed that net book value is not a material indicator of the value of the Company as a going concern but rather is indicative of historical costs and because net book value does not take into account the prospects of the Company, market conditions, trends in the industry in which the Company operates or the business risks inherent in that industry. The Special Committee and the Board were not aware of any firm offer for a merger, sale of all or a substantial part of the Company assets, or a purchase of a controlling amount of the Company's securities having been received by the Company from anyone other than the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) with respect to the current transaction, in the two years preceding the signing of the Merger Agreement.

The Special Committee did not seek to establish a pre-Merger going concern value for the Company, and therefore no such value was considered by the Board in making its fairness determination on behalf of the Company. Rather, the Special Committee believed that the financial analyses presented by Stifel, as more fully summarized in the section entitled " —Opinion of Stifel, Nicolaus & Company, Incorporated," on which the Special Committee relied in making its recommendation to the Board, were indicative of going concern values for the Company as it continues to operate its business.

Fairness of the Merger

The Special Committee and the Board believe that sufficient procedural safeguards were and are present to ensure the fairness of the Merger and to permit the Special Committee and the Board to represent effectively the interests of the unaffiliated stockholders. These procedural safeguards include the following:

- the Special Committee consists solely of independent and disinterested directors who are not officers or employees or affiliated with the Purchaser Parties or their respective affiliates (including Scotts Miracle-Gro), and who do not otherwise have a conflict of interest or lack independence with respect to the Merger;

- although the Special Committee did not retain an unaffiliated representative to act solely on behalf of stockholders who were unaffiliated with the Purchaser Parties or their respective affiliates (including Scotts Miracle-Gro) for purposes of negotiating the transaction with the Purchaser Parties or preparing a report concerning the fairness of the transaction with the Purchaser Parties, the Special Committee was comprised solely of independent and disinterested directors and received financial advice from Stifel, an independent and nationally recognized financial advisor;
- the members of the Special Committee were adequately compensated for their services and their compensation was in no way contingent on their approving the Merger Agreement and taking the other actions described in this proxy statement;
- the members of the Board who are affiliated with Scotts Miracle-Gro reminded the Board of their affiliation with Scotts Miracle-Gro;
- the members of the Special Committee are not officers or employees of the Company;
- the Special Committee retained independent financial and legal advisors to evaluate the Merger, and was empowered to consider and negotiate the Merger Agreement and the transactions contemplated thereby (including the Merger), and to make a recommendation to the Board as to what action (including approval or rejection thereof, if appropriate), if any, should be taken by the Company with respect thereto;
- the terms of the Merger Agreement (including the Merger Consideration) and the transactions contemplated thereby (including the Merger) were extensively reviewed by the Company's officers and extensively negotiated by the Company's financial and legal advisors, and were also closely reviewed and scrutinized by the Special Committee;
- the various terms of the Merger Agreement, including the ability of the Company to receive, negotiate and, under specified circumstances, to terminate the Merger Agreement to accept a Superior Proposal (as more fully described under "The Merger Agreement—Covenants and Agreements—Acquisition Proposals; Change of Recommendation"); and
- that the members of the Special Committee met frequently during the period from March 26, 2020 through the execution of the Merger Agreement, to receive updates; to review, among other things, the Company's business, operations, financial condition, earnings and prospects, its competitive position and historical and projected financial performance, its long-range plans, and the risk in achieving those prospects and plans; to review the Company's strategic and commercial alternatives and options; to oversee outreach to potential third party acquirers and to consider and evaluate discussions with Parent and, ultimately, the proposal from Parent.

Position of the Purchaser Parties and Scotts Miracle-Gro as to the Fairness of 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 believe that the Merger (which is the Rule 13e-3 transaction for which a Schedule 13E-3 Transaction Statement was or simultaneously with this proxy statement will be filed

with the SEC) is fair to the Company's unaffiliated stockholders on the basis of the factors described in " —Purpose and Reasons of the Purchaser Parties and Scotts Miracle-Gro for the Merger" and the additional factors described below.

The Purchaser Parties and Scotts Miracle-Gro did not participate in the deliberations of the Special Committee regarding the Merger. The Purchaser Parties and Scotts Miracle-Gro have not performed, or engaged a financial advisor to perform, any valuation or other analysis for the purpose of assessing the fairness of the Merger to the Company's unaffiliated stockholders. However, based on the knowledge and analysis by the Purchaser Parties and Scotts Miracle-Gro of available information regarding the Company, its business and the factors considered by, and the analysis and resulting conclusions of, the Special Committee and the Board, as discussed in the section " —Purpose and Reasons of the Company for the Merger," the Purchaser Parties and Scotts Miracle-Gro believe that the Merger is substantively and procedurally fair to the Company's unaffiliated stockholders. In particular, the Purchaser Parties and Scotts Miracle-Gro based their belief on the following factors, among others, which are not presented in any relative order of importance:

- while those directors of the Company who are affiliated with the Purchaser Parties and Scotts Miracle-Gro are employees of Scotts Miracle-Gro and may be deemed to have an indirect interest in the common stock held by the Purchaser Parties as described under the section captioned " —Interests of the Company's Directors and Executive Officers in the Merger; Potential Conflicts of Interest," the directors affiliated with the Purchaser Parties and Scotts Miracle-Gro were not members of, and did not participate in, the deliberations of the Special Committee and, as a result, the directors affiliated with the Purchaser Parties and Scotts Miracle-Gro do not believe that their, the Purchaser Parties' or Scotts Miracle-Gro's interests in the Merger influenced the decision of the Special Committee with respect to the Merger Agreement or the Merger Agreement Proposal;
- that shares of our common stock have historically been thinly traded (our common stock had an average daily trading volume of approximately 31,000 shares over the 12 months ended October 5, 2020, the day we announced our entry into the non-binding letter of intent with Scotts Miracle-Gro), resulting in price volatility, illiquidity for stockholders and the possibility that significant stockholders would not be able to liquidate their positions without negatively impacting the market price of our common stock;
- the Merger Consideration is all cash, which provides certainty of value and liquidity to the unaffiliated stockholders;
- consummation of the Merger will allow the unaffiliated stockholders not to be exposed to risks and uncertainties relating to the prospects of the Company following completion of the Merger;
- Scotts Miracle-Gro's ownership of assets used by the Company that may not be transferrable;
- the terms of the Merger Agreement (including the Merger Consideration) and the transactions contemplated by it (including the Merger) were extensively reviewed by the Company's management and extensively negotiated by the Company's officers and financial and legal advisors, and were also closely reviewed and scrutinized by the Special Committee and its financial and legal advisors;
- the fact that following the outreach to potential third-party acquirers by Stifel, the Purchaser Parties submitted a final proposal not subject to material due diligence or financing and negotiated the terms of the Purchaser Parties' bid for a period of almost six weeks prior to the signing of the Merger Agreement;
- the Company is permitted to, subject to customary requirements included in the Merger Agreement, enter into or recommend a Superior Proposal;
- the fact that 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), and 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. See "—Dissenter's Rights."

- the Special Committee retained independent financial and legal advisors to evaluate the Merger, and was empowered to consider and negotiate the Merger Agreement and the transactions contemplated thereby (including the Merger) and to make a recommendation to the Board as to what action (including approval or rejection thereof, if appropriate), if any, should be taken by the Company with respect thereto;
- the fact that at the November 10, 2020 meeting of the Special Committee, Stifel rendered its oral opinion to the Special Committee, confirmed by the delivery of a written opinion dated November 11, 2020, that, subject to the qualifications, assumptions, exceptions and limitations set forth therein, the Merger Consideration to be paid by Parent under the Merger Agreement was fair, from a financial point of view, to the holders of shares of common stock, other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares (as more fully described under " —Opinion of Stifel, Nicolaus & Company, Incorporated");
- 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; and
- 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.

In addition to the factors above, the Purchaser Parties and Scotts Miracle-Gro considered (i) the historical stock trading price of the Company, (ii) the then-current stock trading price of the Company, and (iii) the Purchaser Parties' and Scotts Miracle-Gro's internal determination based on non-stock trading price metrics, including a discounted cash flow analysis, comparisons against other publicly traded companies and an assumption that Scotts Miracle-Gro would continue to permit the Company to utilize contractual and intellectual property arrangements with Scotts Miracle-Gro's subsidiaries on then-current terms, that the Company could have a pre-Merger going concern value on a standalone basis in the range of approximately $1.12 per share to $3.99 per share. The Purchaser Parties' and Scotts Miracle-Gro's going-concern determination was made purely for internal analysis purposes and not with a view toward determining the fairness of the proposed merger to the Company's unaffiliated stockholders. To the extent that the closing price for the Company's shares on the OTCQB on November 11, 2020, the last trading day prior to the public announcement of the Merger, reflected the per share going concern value of the Company, the Merger Consideration represented a premium of approximately 6% to the going concern value of the Company.

The Purchaser Parties and Scotts Miracle-Gro did not consider the liquidation value of the Company to be a relevant valuation methodology and, therefore, did not appraise the assets of the Company to determine the liquidation value because (i) of the impracticability of determining a liquidation value given the significant execution risk involved in any breakup, (ii) the Purchaser Parties and Scotts Miracle-Gro considered the Company to be a viable going concern and (iii) the business and operations of the Company will continue to be operated following the Merger and will be integrated into Parent's business. The Purchaser Parties and Scotts Miracle-Gro did not consider net book value, which is an accounting concept, because, in the Purchaser Parties' and Scotts Miracle-Gro's view, net book value is neither indicative of the Company's market value nor its value as a going concern, but rather is an indicator of historical costs. The Purchaser Parties and Scotts Miracle-Gro have also not made any purchases of shares of common stock during the past two years and are not aware of any firm offers for the Company made by any unaffiliated person, other than the Purchaser Parties and Scotts Miracle-Gro, within the past two years. See "Other Important Information Regarding the Company—Transactions in the Company's Common Stock."

The foregoing discussion of the information and factors considered by the Purchaser Parties and Scotts Miracle-Gro in connection with the fairness of the Merger Agreement and the transactions contemplated thereby (including the Merger) is not intended to be exhaustive but is believed to include all material factors considered by them. The Purchaser Parties and Scotts Miracle-Gro did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the Merger Agreement or the Merger. Rather, the Purchaser Parties and Scotts Miracle-Gro believe these factors provide a reasonable basis upon which to form its belief that the Merger Agreement and the Merger, are fair to the Company's unaffiliated stockholders. This belief should not, however, be construed as a recommendation to any unaffiliated stockholder to vote in favor of the Merger Agreement Proposal.

None of the Purchaser Parties or Scotts Miracle-Gro makes any recommendation as to how any unaffiliated stockholder should vote its shares of common stock on the Merger Agreement Proposal.

Opinion of Stifel, Nicolaus & Company, Incorporated

At a meeting of the Special Committee held on November 10, 2020 to evaluate and approve the Merger, Stifel rendered its oral opinion to the Special Committee, confirmed by the delivery of a written opinion dated November 11, 2020, addressed to the Special Committee to the effect that, as of the date of such opinion and subject to the qualifications, assumptions, exceptions and limitations set forth therein, the Merger Consideration to be paid by Parent under the Merger Agreement was fair, from a financial from a financial point of view, to the holders of shares of common stock, other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares.

The Special Committee did not impose any limitations on Stifel with respect to the investigations made or procedures followed in rendering Stifel's opinion. In selecting Stifel, the Special Committee considered, among other things, the fact that Stifel is a reputable investment banking firm with substantial experience advising companies in the consumer products sector and in providing strategic advisory services in general, and Stifel's familiarity with the Company and its business. Stifel, as part of its investment banking services, is regularly engaged in the independent valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

The full text of Stifel's opinion is attached to this proxy statement as Annex B and is incorporated herein by reference. The summary of Stifel's opinion contained in this proxy statement is qualified in its entirety by reference to the full text of Stifel's opinion. The Company's stockholders are encouraged to read Stifel's opinion carefully and in its entirety for a discussion of the procedures followed, assumptions made, other matters considered, limits of the review undertaken by Stifel, and qualifications contained in Stifel's opinion.

In rendering its opinion, Stifel, among other things:

(i) discussed the Merger and related matters with the Company's counsel and reviewed a draft copy of the Merger Agreement, dated November 11, 2020, such draft being the latest draft of the Merger Agreement provided to Stifel;

(ii) reviewed the audited consolidated financial statements of the Company contained in its Annual Report on Form 10-K for the fiscal years ended March 31, 2020, March 31, 2019 and March 31, 2018 and the unaudited consolidated financial statements of the Company contained in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2020;

(iii) reviewed and discussed with the Company's management certain other publicly available information concerning the Company;

(iv) reviewed certain non-publicly available information concerning the Company, including internal financial analysis and forecasts prepared by its management and held discussions with the Company's senior management regarding recent developments;

(v) reviewed and analyzed certain publicly available financial and stock market data relating to selected public companies that Stifel deemed relevant to its analysis;

(vi) reviewed and analyzed certain publicly available information concerning the terms of selected merger and acquisition transactions that Stifel considered relevant to its analysis;

(vii) reviewed the reported prices and trading activity of the Company's common stock;

(viii) performed a discounted cash flow analysis;

(ix) considered the results of Stifel's efforts, at the direction of the Company, to solicit indications of interest from selected third parties with respect to a merger or other transaction with the Company;

(x) conducted such other financial studies, analysis and investigations, and considered such other information, as Stifel deemed necessary or appropriate for purposes of its opinion; and

(xi) took into account Stifel's assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuations and its knowledge of the Company's industry generally.

In rendering its opinion, Stifel relied upon and assumed, without independent verification, the accuracy and completeness of all of the financial and other information that was provided to Stifel by or on behalf of the Company, or that was otherwise reviewed by Stifel, and did not assume any responsibility for independently verifying any of such information. With respect to the financial forecasts supplied to Stifel by the Company, Stifel assumed, at the direction of the Special Committee, that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the management of the Company as to the future operating and base financial performance of the Company and that they provided a reasonable basis upon which Stifel could form its opinion. Such forecasts and projections were not prepared with the expectation of public disclosure. All such projected financial information is based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic and competitive conditions and, in particular, assumptions regarding the widespread disruption, extraordinary uncertainty and unusual volatility arising from the effects of the COVID-19 pandemic, including the effect of evolving governmental interventions and non-interventions. Accordingly, actual results could vary significantly from those set forth in such projected financial information. Among other things, such projected information assumes the ongoing COVID-19 pandemic will have a favorable impact on the Company. Stifel has relied on this projected financial information without independent verification or analyses and does not in any respect assume any responsibility for the accuracy or completeness thereof.

Stifel also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of the Company since the date of the last financial statements of the

Company made available to Stifel. Stifel did not make or obtain any independent evaluation, appraisal or physical inspection of the Company's assets or liabilities, nor was Stifel furnished with any such evaluation or appraisal. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, Stifel assumes no responsibility for their accuracy.

Stifel assumed, with the consent of the Special Committee, that there are no factors that would materially delay or subject to any material adverse conditions any necessary regulatory or governmental approval and that all conditions to the Merger will be satisfied and not waived. In addition, Stifel assumed that the definitive Merger Agreement would not differ materially from the draft Stifel reviewed. Stifel also assumed that the Merger will be consummated substantially on the terms and conditions described in the Merger Agreement, without any waiver of material terms or conditions by the Company or any other party and without any adjustment to the Merger Consideration, and that obtaining any necessary regulatory approvals or satisfying any other conditions for consummation of the Merger will not have an adverse effect on the Company, Parent or the Merger. Stifel assumed that the Merger will be consummated in a manner that complies with the applicable provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act, and all other applicable federal and state statutes, rules and regulations. Stifel further assumed that the Company has relied upon the advice of its counsel, independent accountants and other advisors (other than Stifel) as to all legal, financial reporting, tax, accounting and regulatory matters with respect to the Company, the Merger and the Merger Agreement.

Stifel's opinion is limited to the fairness of the Merger Consideration to the holders of the common stock (other than (i) Parent, Parent's affiliates and the Company and (ii) Dissenting Shares), from a financial point of view, and does not address any other terms, aspects or implications of the Merger, including, without limitation, the form or structure of the Merger, any consequences of the Merger on the Company, its stockholders, creditors or any other constituency or otherwise, or any terms, aspects or implications of any voting, support, shareholder or other agreements, arrangements or understandings contemplated or entered into in connection with the Merger or otherwise. Stifel's opinion also does not consider, address or include: (i) any other strategic alternatives currently (or which have been or may be) contemplated by the Board; (ii) the legal, tax or accounting consequences of the Merger on the Company or the holders of the common stock; (iii) the fairness of the amount or nature of any compensation to any of the Company's officers, directors or employees, or class of such persons, relative to the compensation to the holders of the common stock; (iv) the effect of the Merger on, or the fairness of the consideration to be received by, holders of any class of securities of the Company other than the common stock, or any class of securities of any other party to any transaction contemplated by the Merger Agreement; (v) whether Parent has sufficient cash, available lines of credit or other sources of funds to enable it to pay the Merger Consideration; or (vi) the treatment of, or effect of the Merger on, the Company Options (as defined in the Merger Agreement).

Furthermore, Stifel is not expressing any opinion as to the prices, trading range or volume at which the Company's or Parent's securities will trade following public announcement or consummation of the Merger.

Stifel's opinion is necessarily based on economic, market, financial and other conditions as they existed on, and on the information made available to Stifel by or on behalf of the Company or its advisors, or information otherwise reviewed by Stifel, as of the date of its opinion. It is understood that subsequent developments may affect the conclusion reached in Stifel's opinion and that Stifel does not have any obligation to update, revise or reaffirm its opinion, except in accordance with the terms and conditions of Stifel's engagement letter agreement with the Company.

Stifel's opinion is for the information of, and directed to, the Special Committee for its information and assistance in connection with its consideration of the financial terms of the Merger. Stifel's opinion does not constitute a recommendation to the Special Committee or the Board as to how it should vote on the Merger or to any stockholder of the Company as to how any such stockholder should vote at the Special Meeting, or whether or not any stockholder of the Company should enter into a voting, support, shareholders' or affiliates' agreement

with respect to the Merger, or exercise any dissenters' rights that may be available to such stockholder. In addition, Stifel's opinion does not compare the relative merits of the Merger with any other alternative transactions or business strategies which may have been available to the Company and does not address the underlying business decision of the Board or the Company to proceed with or effect the Merger.

Stifel does not advise on legal, tax, regulatory or bankruptcy matters. Stifel has not considered any potential legislative or regulatory changes currently being considered or recently enacted by the United States Congress, the SEC, or any other regulatory bodies, or any changes in accounting methods or generally accepted accounting principles that may be adopted by the SEC or the Financial Accounting Standards Board. Stifel's opinion is not a solvency opinion and does not in any way address the solvency or financial condition of the Company, Parent or any other party.

Stifel's Fairness Opinion Committee has approved the issuance of Stifel's opinion. Stifel's opinion may not be published or otherwise used or referred to, nor shall any public reference to Stifel be made, without Stifel's prior written consent, except in accordance with the terms and conditions of Stifel's engagement letter agreement with the Company.

The following represents a summary of the material financial analyses performed by Stifel in connection with its opinion. Some of the summaries of financial analyses performed by Stifel include information presented in tabular format. In order to fully understand the financial analyses performed by Stifel, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the information set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Stifel.

Except as otherwise noted, the information utilized by Stifel in its analyses, to the extent that it was based on market data, is based on market data as it existed on or before November 9, 2020 and is not necessarily indicative of current market conditions. The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which any securities may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions and other factors that influence the price of securities.

Selected Comparable Companies Analysis

Stifel compared the Company, from a financial point of view, to 15 selected publicly traded companies in the housewares industry, which Stifel deemed to be relevant based on their business profiles and financial metrics, including product portfolios, end-markets, customers, size, growth and profitability, among others. Separately, Stifel compared the Company to the six of these 15 companies with equity values below $500 million and one with an equity value below $750 million. Stifel compared the Company's estimated calendar year 2020 and estimated calendar year 2021 financial metrics, as provided by the Company's management, to estimated calendar year 2020 and estimated calendar year 2021 financial metrics of these 15 selected companies, obtained from available public sources. Stifel believes that the group of companies listed below have business models similar to those of the Company, but noted that none of these companies is identical to the Company and none has the same management, composition, size, operations, financial profile or combination of businesses as the Company:

- Whirlpool Corporation
- Newell Brands Inc.
- SEB SA
- Helen of Troy Limited
- Spectrum Brands Holdings, Inc.

- Breville Group Limited
- Central Garden & Pet Company
- Tupperware Brands Corporation
- Dorel Inc.
- National Presto Industries Inc.
- Lifetime Brands, Inc.
- Noritake Co., Inc.
- Hamilton Beach Brands Holdings Company
- Churchill China PLC
- Portmeirion Group PLC

Based on this information, Stifel calculated and compared multiples of enterprise value ("EV"), which Stifel defined as fully-diluted equity value using the treasury stock method, plus debt, preferred stock and minority interests, less cash and cash equivalents, to estimated calendar years 2020 and 2021 adjusted earnings before one-time charges, interest, taxes, and depreciation and amortization ("EV / EBITDA") for the Company and the selected companies.

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. Mathematical analysis (such as determining the mean or median) is not in itself a meaningful method of using peer group data.

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 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. In evaluating the precedent transactions, Stifel made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions, and other matters, such as the impact of competition, industry growth, and the absence of any adverse material change in the financial condition of the Company or the companies involved in the precedent transactions or the industry or in the financial markets in general, which could affect the public trading value of the companies involved in the selected transactions, and 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 December 1, 2020, 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 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.

"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 December 1, 2020, 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 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, [•] shares of common stock, or approximately [•]% 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 December 1, 2020, 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, [•] shares of common stock, or approximately [•]% 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 December 1, 2020, 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	$ [•]
Legal, accounting and other professional fees and expenses	$ [•]
SEC filing fees	$ 2,189
Printing, proxy solicitation and mailing costs	$ [•]
Miscellaneous	$ [•]
Total	$ [•]

It is also expected that the Purchaser Parties will incur approximately $[•] 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 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. 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.

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 [•], 2021, at [•], 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 [•], 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 [•], 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, [•] 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 [•] shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [•] shares of common stock, representing approximately [•]% 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 December 1, 2020, 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, [•] shares of common stock, or approximately [•]% 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.**

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
5405 Spine Road
Boulder, Colorado 80301
grey@aerogrow.com
(303) 444-7755

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;
  - 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 [●] shares of common stock outstanding, of which the Purchaser Parties and their respective affiliates (including Scotts Miracle-Gro) beneficially owned [●] shares of common stock, representing approximately [●]% 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 J. 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